

Consolidated Financial Statements of

THE CITY OF EDMONTON

December 31, 2025

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information contained within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgements of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Mayor and City Council, stating their opinion, basis for opinion, other information, responsibilities of management and those charged with governance for the financial statements and auditor’s responsibility for the audit of the financial statements, follows.

Eddie Robar
City Manager

April 15, 2026
Edmonton, Canada

Stacey Padbury
Deputy City Manager and Chief Financial Officer
Financial and Corporate Services

April 15, 2026
Edmonton, Canada

INDEPENDENT AUDITOR'S REPORT

TO HIS WORSHIP THE MAYOR AND MEMBERS OF COUNCIL OF THE CITY OF EDMONTON

OPINION

We have audited the consolidated financial statements of the City of Edmonton (the Entity), which comprise:

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

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

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

BASIS FOR OPINION

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

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

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

OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Financial Statement Discussion and Analysis; and
- the information, other than the financial statements and the auditor’s report thereon, included in the “2025 Annual Report”.

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

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

We obtained the information included in Management’s Financial Statement Discussion and Analysis as at the date of this auditor’s report.

INDEPENDENT AUDITOR'S REPORT

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

We also:

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Chartered Professional Accountants

Edmonton, Canada

April 15, 2026

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)

	2025	2024
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 247,202	\$ 227,144
Receivables (Note 3)	998,350	956,601
Portfolio investments (Note 4)	2,958,198	2,809,230
Debt recoverable (Note 7)	21,308	21,613
Land for resale (Note 8)	262,591	246,888
Investment in EPCOR (Note 23)	5,476,500	5,172,092
	9,964,149	9,433,568
Liabilities		
Promissory notes payable (Note 9)	59,312	59,311
Accounts payable and accrued liabilities (Notes 10)	1,223,820	1,178,751
Deposits	68,904	63,760
Deferred revenue (Note 11)	395,978	272,444
Employee benefit obligations (Note 12)	227,234	212,801
Asset retirement obligations (Note 13)	190,712	192,187
Derivative liabilities (Note 5)	5,228	593
Long-term debt (Note 14)	4,592,150	4,368,432
	6,763,338	6,348,279
Net Financial Assets	3,200,811	3,085,289
Non-financial Assets		
Tangible capital assets (Note 15 and Schedule 1)	17,095,141	15,956,039
Inventory of materials and supplies	40,550	45,001
Prepays	72,422	54,640
Other assets (Note 16)	18,999	13,763
	17,227,112	16,069,443
Accumulated Surplus	\$ 20,427,923	\$ 19,154,732
Accumulated Surplus is comprised of:		
Accumulated Operating Surplus (Note 19)	20,050,191	18,758,233
Accumulated Remeasurement Gains	377,732	396,499
	\$ 20,427,923	\$ 19,154,732

Commitments, contingent liabilities, contingent assets and contractual rights (Notes 26, 28, 29 and 30)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Andrew Knack

Councillor Jon Morgan

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31 (in thousands of dollars)

	Budget (Note 33)	2025	2024
Revenues (Schedule 2)			
Net taxes available for municipal purposes (Note 20)	\$ 2,317,789	\$ 2,332,958	\$ 2,136,888
User fees and sale of goods and services	685,782	711,942	652,311
Subsidiary operations - EPCOR (Note 23)	520,060	533,517	426,479
Franchise fees (Note 24)	238,280	248,919	222,436
Investment earnings	138,838	221,919	201,723
Government transfers - operating (Note 21)	146,621	153,794	165,793
Licences and permits	91,696	98,486	93,958
Fines and penalties	51,071	60,171	69,225
Developer and customer contributions - operating	20,884	21,440	32,787
	4,211,021	4,383,146	4,001,600
Expenses (Schedule 2)			
Transportation services:			
Bus and light rail transit	619,009	644,344	623,513
Roadway and parking	600,508	514,573	490,482
	1,219,517	1,158,917	1,113,995
Protective services:			
Police	615,081	631,478	587,580
Fire rescue	259,314	271,167	239,633
Bylaw enforcement	84,193	81,260	82,033
	958,588	983,905	909,246
Community services:			
Parks and recreation	293,939	366,499	342,819
Planning and corporate properties	237,135	190,232	171,579
Convention and tourism	102,377	101,338	98,381
Community and family	79,950	80,035	73,090
Public library	73,923	73,711	72,034
Public housing	124,992	89,394	81,889
	912,316	901,209	839,792
Utility and enterprise services:			
Waste services utility	233,103	237,186	236,861
Land enterprise	46,978	50,017	30,388
Renewable energy systems utility	3,912	4,872	3,236
	283,993	292,075	270,485
General municipal	434,478	365,703	372,114
Corporate administration	274,885	289,982	266,713
Fleet services	33,883	46,952	43,227
Ed Tel endowment fund	4,744	5,195	4,250
	4,122,404	4,043,938	3,819,822
Excess of Revenues over Expenses before Other	88,617	339,208	181,778
Other			
Government transfers - capital (Note 21)	1,539,497	886,977	701,483
Contributed tangible capital assets (Schedule 1)	119,343	45,957	61,611
Developer and customer contributions - capital	42,684	17,651	30,235
Local improvements	14,996	6,910	6,993
Excess of Revenues over Expenses	1,805,137	1,296,703	982,100
Accumulated Operating Surplus, beginning of year	18,758,233	18,758,233	17,780,018
Amortization of tangible capital assets contributed to EPCOR (Note 23)		(4,745)	(3,885)
Accumulated Operating Surplus, end of year	\$ 20,563,370	\$ 20,050,191	\$ 18,758,233

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

For the year ended December 31 (in thousands of dollars)

	2025	2024
Accumulated remeasurement gains - beginning of year	\$ 396,499	\$ 213,710
Unrealized (losses) gains attributable to:		
Foreign exchange	(2,070)	(1,075)
Derivatives	10,980	15,230
Portfolio investments - quoted in an active market	179,122	146,217
Amounts reclassified to the Consolidated Statement of Operations and Accumulated Surplus:		
Foreign exchange	1,205	2,159
Derivatives	(15,615)	(10,986)
Portfolio Investments - quoted in an active market	(117,398)	(85,070)
Net change for the year, before other comprehensive (loss) gain - Subsidiary operations - EPCOR	56,224	66,475
Other comprehensive (loss) gain - Subsidiary operations - EPCOR (Note 23)	(74,991)	116,314
Accumulated remeasurement gains - end of year	\$ 377,732	\$ 396,499
Accumulated remeasurement (losses) gains, end of year is comprised of:		
Foreign exchange	(17)	848
Derivatives (Note 5)	(5,228)	(593)
Portfolio Investments - quoted in an active market (Note 4)	199,826	138,102
Accumulated other comprehensive income - EPCOR (Note 23)	183,151	258,142
	\$ 377,732	\$ 396,499

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended December 31 (in thousands of dollars)

	Budget	2025	2024
Excess of Revenues over Expenses	\$ 1,805,137	\$ 1,296,703	\$ 982,100
Acquisition of tangible capital assets, less asset retirement additions	(3,681,987)	(1,920,754)	(1,586,324)
Contributed tangible capital assets (Schedule 1)	(119,343)	(45,957)	(61,611)
Proceeds on disposal of tangible capital assets		3,198	11,196
Amortization of tangible capital assets (Schedule 1)	807,187	735,836	686,572
Loss on disposal, impairment and transfer of tangible capital assets (Schedule 2)		33,608	28,662
Tangible capital assets contributed to EPCOR (Note 23)		51,627	34,472
Change in asset retirement obligations assets (Schedule 1)		668	24
Gain (loss) on asset retirement obligation revaluation		2,672	(179)
	(2,994,143)	(1,139,102)	(887,188)
Net acquisition of inventory of materials and supplies		4,451	(455)
Increase in prepaid expenses		(17,782)	(19,008)
Net change in other assets		(5,236)	(1,052)
		(18,567)	(20,515)
Amortization of contributed capital assets transferred to EPCOR (Note 23)		(4,745)	(3,885)
(Decrease) increase in accumulated remeasurement gains		(18,767)	182,789
		(23,512)	178,904
(Decrease) increase in net financial assets	(1,189,006)	115,522	253,301
Net Financial Assets, beginning of year	3,085,289	3,085,289	2,831,988
Net Financial Assets, end of year	\$ 1,896,283	\$ 3,200,811	\$ 3,085,289

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (in thousands of dollars)

	2025	2024
Net inflow (outflow) of cash and cash equivalents:		
Operating Activities		
Excess of revenues over expenses	\$ 1,296,703	\$ 982,100
(Deduct) add items not affecting cash and cash equivalents:		
Subsidiary operations - EPCOR (Note 23)	(533,517)	(426,479)
Amortization of tangible capital assets (Schedule 1)	735,836	686,572
Loss on disposal, impairment and transfer of tangible capital assets (Schedule 2)	33,608	28,662
Contributed tangible capital assets (Schedule 1)	(45,957)	(61,611)
Asset retirement obligations cost and accretion	12,953	21,157
Gain on sale of portfolio investments	(118,027)	(77,930)
Public-private partnership (P3) term debt modification		(13,071)
Change in non-cash items:		
Receivables	(41,749)	25,870
Debt recoverable	305	293
Land for resale	(15,703)	(15,138)
Inventory of materials and supplies	4,451	(455)
Prepaid expenses	(17,782)	(19,008)
Other assets	(6,101)	(1,052)
Accounts payable and accrued liabilities	45,069	31,987
Deposits	5,144	8,655
Deferred revenue	123,534	58,251
Employee benefit obligations	14,433	13,880
	1,493,200	1,242,683
Capital Activities		
Acquisition of tangible capital assets, less asset retirement changes	(1,920,754)	(1,586,324)
Proceeds on disposal of tangible capital assets	3,198	11,196
Settlement of asset retirement obligations	(11,088)	(33,036)
	(1,928,644)	(1,608,164)
Investing Activities		
Dividend from subsidiary (Note 23)	201,000	193,000
Net increase in portfolio investments	30,783	(226,335)
	231,783	(33,335)
Financing Activities		
Promissory notes issued	217,735	98,810
Repayment of promissory notes	(217,734)	(88,874)
Debenture borrowings	470,644	446,186
Repayment of long-term debt	(237,457)	(223,109)
Decrease in P3 term debt	(9,469)	(9,060)
	223,719	223,953
Increase (decrease) in cash and cash equivalents	20,058	(174,863)
Cash and cash equivalents, beginning of year	227,144	402,007
Cash and cash equivalents, end of year	\$ 247,202	\$ 227,144

Operating activities for 2025 include \$73,344 (2024 - \$79,851) of interest received and \$173,733 (2024 - \$161,660) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2025 (in thousands of dollars)

	Opening Balance	Additions, Adjustments and Transfers	Disposals, Impairments and Transfers	Closing Balance
Cost				
Land	\$ 2,195,294	\$ (1,112)	\$ (6,010)	\$ 2,188,172
Land improvements	2,097,555	149,173	(15,838)	2,230,890
Buildings	4,187,522	313,002	(1,519)	4,499,005
Vehicles	1,664,211	77,743	(55,423)	1,686,531
Machinery and equipment	1,118,753	59,598	(75,719)	1,102,632
Engineering structures:				
Roadway system	10,004,728	503,301	(64,966)	10,443,063
Light rail transit system	2,169,265	128,288	(1,347)	2,296,206
Waste	157,326			157,326
Bus system	299,553	2,916	(526)	301,943
Other	97,086	7,042		104,128
	23,991,293	1,239,951	(221,348)	25,009,896
Assets under construction	1,840,805	726,092	(74,750)	2,492,147
	25,832,098	1,966,043	(296,098)	27,502,043
Accumulated Amortization				
Land Improvements	797,097	71,423	(15,782)	852,738
Buildings	1,852,806	158,561	(1,306)	2,010,061
Vehicles	895,583	82,480	(54,357)	923,706
Machinery and equipment	722,298	73,642	(72,467)	723,473
Engineering structures:				
Roadway system	4,680,314	269,978	(59,591)	4,890,701
Light rail transit system	648,672	64,243	(1,203)	711,712
Waste	117,823	2,538		120,361
Bus system	140,069	10,746	(287)	150,528
Other	21,397	2,225		23,622
	9,876,059	735,836	(204,993)	10,406,902
Net Book Value	\$ 15,956,039	\$ 1,230,207	\$ (91,105)	\$ 17,095,141

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications. In 2025, a total of \$45,957 in land, land improvements and roadway systems were contributed to the City and were recorded at their fair value at the time received. Also included in additions, adjustments and transfers of land was a net decrease in the estimate of expropriated land of \$18,983. Asset retirement obligation assets decreased by \$668 due to a reduction in estimates, partly offset by a \$26 change in amortization.

Included in disposals, impairments and transfers in 2025 are \$51,627 of tangible capital assets contributed to EPCOR (Note 23). See Note 15 for the net book value of each tangible capital asset category.

SCHEDULE 1 - CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2024 (in thousands of dollars)

	Opening Balance	Additions, Adjustments and Transfers	Disposals, Impairments and Transfers	Closing Balance
Cost				
Land	\$ 2,139,406	\$ 58,266	\$ (2,378)	\$ 2,195,294
Land improvements	1,987,563	109,992		2,097,555
Buildings	3,969,045	224,983	(6,506)	4,187,522
Vehicles	1,626,337	54,079	(16,205)	1,664,211
Machinery and equipment	1,092,018	72,929	(46,194)	1,118,753
Engineering structures:				
Roadway system	9,732,383	461,545	(189,200)	10,004,728
Light rail transit system	2,091,320	83,206	(5,261)	2,169,265
Waste	156,839	487		157,326
Bus system	297,697	1,856		299,553
Other	92,240	4,846		97,086
	23,184,848	1,072,189	(265,744)	23,991,293
Assets under construction	1,305,809	575,722	(40,726)	1,840,805
	24,490,657	1,647,911	(306,470)	25,832,098
Accumulated Amortization				
Land Improvements	731,823	65,274		797,097
Buildings	1,708,857	146,551	(2,602)	1,852,806
Vehicles	830,182	80,964	(15,563)	895,583
Machinery and equipment	689,015	73,316	(40,033)	722,298
Engineering structures:				
Roadway system	4,606,417	243,692	(169,795)	4,680,314
Light rail transit system	591,687	61,311	(4,326)	648,672
Waste	115,223	2,600		117,823
Bus system	129,347	10,722		140,069
Other	19,255	2,142		21,397
	9,421,806	686,572	(232,319)	9,876,059
Net Book Value	\$ 15,068,851	\$ 961,339	\$ (74,151)	\$ 15,956,039

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications. In 2024, a total of \$61,611 in land and land improvements were contributed to the City and were recorded at their fair value at the time received. In 2024, asset retirement obligation assets decreased by \$24 due to a reduction in estimates of \$95 offset by additions of \$71. As well, asset retirement obligation assets decreased by \$239 due to amortization and \$271 from disposals.

Included in disposals, impairments and transfers in 2024 are \$34,472 of tangible capital assets contributed to EPCOR (Note 23). See Note 15 for the net book value of each tangible capital asset category.

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES

For the year ended December 31, 2025 (in thousands of dollars)

	Tax-Supported						Waste Services Utility	Land Enterprise	Renewable Energy Systems Utility	EPCOR	Ed Tel Endowment Fund	2025
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported						
Revenues												
Net taxes available for municipal purposes	\$ 525,405	\$ 856,292	\$ 493,622	\$ 10,524	\$ 447,115	\$ 2,332,958						\$ 2,332,958
User fees and sale of goods and services	127,659	46,588	186,748	8,445	25,030	394,470	248,672	68,236	564			711,942
Subsidiary operations - EPCOR										533,517		533,517
Franchise fees					248,919	248,919						248,919
Investment earnings			6,206		105,738	111,944	2,108				107,867	221,919
Government transfers - operating	5,831	52,386	51,798		43,779	153,794						153,794
Licences and permits	3,072	3,049	81,113		11,252	98,486						98,486
Fines and penalties		15,649	179		44,343	60,171						60,171
Developer and customer contributions - operating	428	196	19,824	990		21,438	2					21,440
Appropriation of earnings					48,085	48,085					(48,085)	
	662,395	974,160	839,490	19,959	974,261	3,470,265	250,782	68,236	564	533,517	59,782	4,383,146
Expenses												
Salaries, wages and benefits	420,799	814,633	338,635	84,481	349,017	2,007,565	64,610	2,056	8			2,074,239
Materials, goods and utilities	117,911	49,000	90,903	64,552	43,181	365,547	11,199	43,256	316			420,318
Contracted and general services	167,231	82,514	219,664	(161,674)	(18,365)	289,370	121,124	4,901	2,013		5,195	422,603
Interest and bank charges	73,916	3,615	55,152	44	44,718	177,445	8,402	1,627	1,097			188,571
Grants and other	60	887	125,410		42,406	168,763						168,763
Amortization of tangible capital assets	371,421	30,064	67,311	60,720	174,921	704,437	29,961		1,438			735,836
Loss (gain) on disposal, impairment and transfer of tangible capital assets	7,579	3,192	4,134	(1,171)	19,807	33,541	1,890	(1,823)				33,608
	1,158,917	983,905	901,209	46,952	655,685	3,746,668	237,186	50,017	4,872		5,195	4,043,938
(Shortfall) excess of Revenues over Expenses before Other	(496,522)	(9,745)	(61,719)	(26,993)	318,576	(276,403)	13,596	18,219	(4,308)	533,517	54,587	339,208
Other												
Government transfers - capital	798,006	2,354	55,573	155	30,889	886,977						886,977
Contributed tangible capital assets	9,538		28,956		7,463	45,957						45,957
Developer and customer contributions - capital	7,628	452	9,431			17,511			140			17,651
Local improvements					6,910	6,910						6,910
	815,172	2,806	93,960	155	45,262	957,355			140			957,495
Excess (shortfall) of Revenues over Expenses	\$ 318,650	\$ (6,939)	\$ 32,241	\$ (26,838)	\$ 363,838	\$ 680,952	\$ 13,596	\$ 18,219	\$ (4,168)	\$ 533,517	\$ 54,587	\$ 1,296,703

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES

For the year ended December 31, 2024 (in thousands of dollars)

	Tax-Supported						Waste Services Utility	Land Enterprise	Renewable Energy Systems Utility	EPCOR	Ed Tel Endowment Fund	2024
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported						
Revenues												
Net taxes available for municipal purposes	\$ 504,785	\$ 755,594	\$ 465,312	\$ 3,919	\$ 407,278	\$ 2,136,888						\$ 2,136,888
User fees and sale of goods and services	123,841	52,315	177,920	8,989	20,886	383,951	241,782	26,095	483			652,311
Subsidiary operations - EPCOR										426,479		426,479
Franchise fees					222,436	222,436						222,436
Investment earnings			8,086		90,518	98,604	3,747				99,372	201,723
Government transfers - operating	10,698	52,367	58,436		44,292	165,793						165,793
Licences and permits	3,234	3,187	73,859		13,678	93,958						93,958
Fines and penalties		31,744	148		37,333	69,225						69,225
Developer and customer contributions - operating	484	319	31,012	972		32,787						32,787
Appropriation of earnings					46,439	46,439					(46,439)	
	643,042	895,526	814,773	13,880	882,860	3,250,081	245,529	26,095	483	426,479	52,933	4,001,600
Expenses												
Salaries, wages and benefits	387,904	717,210	317,017	78,085	326,263	1,826,479	56,549	2,004	2			1,885,034
Materials, goods and utilities	117,901	47,604	80,386	58,985	39,391	344,267	12,516	21,823	120			378,726
Contracted and general services	172,813	105,206	216,585	(152,945)	40,262	381,921	132,654	4,817	1,315		4,250	524,957
Interest and bank charges	70,374	3,359	51,570	1,785	27,508	154,596	6,891	1,730	1,174			164,391
Grants and other	129	820	112,429		38,065	151,443	37					151,480
Amortization of tangible capital assets	341,106	29,206	64,933	58,744	164,123	658,112	27,835		625			686,572
Loss (gain) on disposal, impairment and transfer of tangible capital assets	23,768	5,841	(3,128)	(1,427)	3,215	28,269	379	14				28,662
	1,113,995	909,246	839,792	43,227	638,827	3,545,087	236,861	30,388	3,236		4,250	3,819,822
(Shortfall) excess of Revenues over Expenses before Other	(470,953)	(13,720)	(25,019)	(29,347)	244,033	(295,006)	8,668	(4,293)	(2,753)	426,479	48,683	181,778
Other												
Government transfers - capital	580,154	8,407	61,542		51,399	701,502	(19)					701,483
Contributed tangible capital assets	(3,020)		31,817		32,814	61,611						61,611
Developer and customer contributions - capital	17,618	54	12,438		79	30,189			46			30,235
Local improvements					6,993	6,993						6,993
	594,752	8,461	105,797		91,285	800,295	(19)		46			800,322
Excess (shortfall) of Revenues over Expenses	\$ 123,799	\$ (5,259)	\$ 80,778	\$ (29,347)	\$ 335,318	\$ 505,289	\$ 8,649	\$ (4,293)	\$ (2,707)	\$ 426,479	\$ 48,683	\$ 982,100

SCHEDULE 3 - SUPPLEMENTARY FINANCIAL INFORMATION OF INTERNALLY RESTRICTED AND OTHER ENTITIES

The assets, liabilities and the operations of the following related authorities are included in the City's consolidated financial statements. The amounts are reported before any inter-organizational transactions are eliminated.

For the year ended December 31, 2025 (in thousands of dollars)

	City of Edmonton Library Board	Explore Edmonton Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Edmonton Unlimited Corporation
Financial Position						
Financial Assets	\$ 26,687	\$ 17,091	\$ 17,431	\$ 2,326	\$ 354	\$ 7,791
Liabilities	10,906	21,338	193,541	3,103	4	4,844
Net Financial Assets (Debt)	15,781	(4,247)	(176,110)	(777)	350	2,947
Non-financial Assets	34,846	7,948	203,193	901		2,430
Accumulated Surplus	\$ 50,627	\$ 3,701	\$ 27,083	\$ 124	\$ 350	\$ 5,377
Operations						
Revenues	66,549	95,189	19,671	14,775	9	8,271
Expenses	74,132	95,775	16,669	15,002	33	7,292
Other	5,839	2,306	1,097			
(Shortfall) excess of Revenues over Expenses	(1,744)	1,720	4,099	(227)	(24)	979
Accumulated Surplus, beginning of year	52,371	1,981	22,984	351	374	4,398
Accumulated Surplus, end of year	\$ 50,627	\$ 3,701	\$ 27,083	\$ 124	\$ 350	\$ 5,377

For the year ended December 31, 2024 (in thousands of dollars)

	City of Edmonton Library Board	Explore Edmonton Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Edmonton Unlimited Corporation
Financial Position						
Financial Assets	\$ 28,373	\$ 13,101	\$ 19,072	\$ 4,500	\$ 394	\$ 5,583
Liabilities	7,833	20,530	153,525	5,146	20	4,227
Net Financial Assets (Debt)	20,540	(7,429)	(134,453)	(646)	374	1,356
Non-financial Assets	31,831	9,410	157,437	997	-	3,042
Accumulated Surplus	\$ 52,371	\$ 1,981	\$ 22,984	\$ 351	\$ 374	\$ 4,398
Operations						
Revenues	64,321	89,898	20,521	14,159	191	10,445
Expenses	72,384	89,645	17,039	14,995	27	9,024
Other	7,279		1,176			
(Shortfall) excess of Revenues over Expenses	(784)	253	4,658	(836)	164	1,421
Accumulated Surplus, beginning of year	53,155	1,728	18,326	1,187	210	2,977
Accumulated Surplus, end of year	\$ 52,371	\$ 1,981	\$ 22,984	\$ 351	\$ 374	\$ 4,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The City of Edmonton (City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

01 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

A. REPORTING ENTITY

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity comprises all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and are controlled by the City. In addition to general government tax-supported departments, these organizations, enterprises and utilities are consolidated and include the following:

- The City of Edmonton Library Board** (Edmonton Public Library)
- Explore Edmonton Corporation**
- Fort Edmonton Management Company**
- Edmonton Combative Sports Commission**
- The City of Edmonton Non-Profit Housing Corporation** (Non-Profit Housing Corporation, operating as "HomeED")
- Edmonton Unlimited**
- Waste Services Utility**
- Land Enterprise** (Land Development, Land for Future Municipal Purposes and Blatchford Redevelopment)
- Renewable Energy Systems Utility** (Blatchford Renewable Energy Utility and Downtown District Energy Utility)
- Ed Tel Endowment Fund**

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR, a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the public sector accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. EPCOR's other comprehensive income (loss) is recognized in the City's Consolidated Statement of Remeasurement of Gains and Losses with a corresponding increase (decrease) in the investment in EPCOR. EPCOR's net income and contributions of tangible capital assets to EPCOR from the City are recorded as an increase to the investment in EPCOR. Any dividends that the City receives from EPCOR are recorded as a decrease to the investment in EPCOR.

The City administers Pension Funds, a Long-term Disability Plan and other assets on behalf of third parties which are disclosed in Note 25. Related trust assets under administration for the benefit of external parties have been excluded from the reporting entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

B. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. 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 as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

C. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, valuation of certain financial instruments and derivatives, asset retirement obligations, accrued liabilities including estimates for expropriation of municipal lands and contaminated sites remediation, useful lives of tangible capital assets, the value of contributed tangible capital assets as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values and tangible capital assets.

D. FOREIGN CURRENCY

The City's functional currency is the Canadian dollar. Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates or at rates of exchange established by the terms of a forward exchange contract.

Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category are translated into Canadian dollars at the exchange rates at December 31. Unrealized foreign exchange gains and losses are recognized in the Consolidated Statement of Remeasurement Gains and Losses. In the period of settlement, foreign exchange gains and losses are reclassified to the Consolidated Statement of Operations and the cumulative amount of remeasurement gains and losses is reversed in the Consolidated Statement of Remeasurement Gains and Losses.

E. REVENUE RECOGNITION

i. Tax Revenue

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in Accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Tax revenues are recorded net of any tax appeals or allowances in the Consolidated Statement of Operations and Accumulated Surplus.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The City also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and the Edmonton Catholic Separate School District and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus. Education taxes collected as part of the incremental property taxes within a Community Revitalization Levy (CRL) are retained to offset development costs in the area over the life of the CRL.

ii. **Government Transfers**

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of tangible capital assets, grants and subsidies.

iii. **User Fees and Sale of Goods and Services**

User fees and sale of goods and services revenue relate to revenue earned from the public for access to, or purchase of, City owned assets and services including access to City owned recreational centres, waste pickup services and transportation services. These revenues are considered revenue arising from exchange transactions. Revenue from these transactions is recognized when, or as, the City fulfills its performance obligations and transfers control of the promised goods and service to the payor. For transactions in which the City's performance obligation is settled at a point in time, such as providing transportation services, revenue is recognized upon providing the service to the payor. If the performance obligation is not completed at December 31 the remaining revenue is deferred.

iv. **Franchise Fees**

Franchise fees include amounts earned from ATCO Gas and Pipelines Ltd., EPCOR Distribution Inc. and EPCOR Water Services Inc. for exclusive rights to provide utilities within Edmonton. These fees are considered revenue arising from exchange transactions and provide these entities with the exclusive rights to deliver utilities within the City. Franchise fee revenue is recognized when the performance obligation to which some, or all of the franchise fee has been allocated, has been satisfied or partially satisfied which occurs over the duration of the agreement.

v. **Licences and Permits**

Licences and permits revenue relates to revenues earned from the public for licences and permits sold as required by the City of Edmonton's bylaws, such as business licences and development permits. These revenues are considered revenues arising from exchange transactions. Depending on the nature of the licence or permits, revenue may be recognized at a point in time or over a period of time. Revenue is recognized at a point in time when one clear performance obligation exists and no additional access to City owned assets or services is required as part of the transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

vi. **Fines and Penalties**

Fines and penalties are issued to the public for late payment on outstanding taxes and for violation of City bylaws. These are considered non-exchange transactions. Revenue is recognized when a past event has occurred, the City has a legally enforceable right to collect the amounts and there is an expectation of collectability.

F. LOCAL IMPROVEMENTS

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owner's share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

G. FINANCIAL INSTRUMENTS

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

- Cash and cash equivalents - cost and amortized cost
- Portfolio investments - fair value, cost and amortized cost
- Receivables - lower of cost and net recoverable value
- Debt recoverable - amortized cost
- Land for resale - lower of cost and net realizable value
- Promissory notes payable - amortized cost
- Derivatives - fair value
- Accounts payable and accrued liabilities - cost
- Long-term debt - amortized cost

Unrealized gains and losses from changes in the fair value of financial assets, liabilities and derivatives are recognized in the Consolidated Statement of Remeasurement Gains and Losses. Upon settlement, the cumulative gains or losses are reclassified from the Consolidated Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations and Accumulated Surplus. Interest and dividends attributable to financial instruments are reported in the Consolidated Statement of Operations and Accumulated Surplus. When the restricted nature of a financial instrument and any related changes in fair value create a liability, unrealized gains and losses are recognized as deferred revenue.

All financial assets except derivatives are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the Consolidated Statement of Operations and Accumulated Surplus. A write-down of a portfolio investment to reflect a loss in value that is other than temporary is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest method is used to determine interest revenue or expense.

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

Transaction costs are expensed for financial instruments measured at fair value. Investment management fees are expensed as incurred. The purchase and sale of portfolio investments are accounted for using trade-date accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

From time to time the City enters into derivative financial instruments including forward foreign currency contracts and forward fuel price contracts to reduce exposure to fluctuations such as foreign currency and fuel price fluctuations. The City does not use derivatives for trading or speculative purposes. Derivatives are initially recognized at fair value on inception and subsequently measured at fair value.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the City's normal purchase, sale or usage requirements are not recognized as financial assets or liabilities.

For financial instruments in the fair value measurement category, financial instruments are classified as level 1, 2 or 3 for the purposes of describing the basis of the inputs used to measure the fair value of the financial instrument, as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Market-based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

H. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit, bankers' acceptances, treasury bills and commercial paper, at cost and amortized cost. These cash equivalents generally mature within ninety days from the date of purchase, are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

I. PORTFOLIO INVESTMENTS AND INVESTMENT EARNINGS

The City's equity investments are measured at fair value. Fixed income, private pooled funds and other investments are measured at cost or amortized cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded in the year incurred. Investment earnings are recorded as revenue in the period earned.

J. DEBT RECOVERABLE

Debt recoverable consists of long-term debt amounts borrowed by the City that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31. A valuation allowance in the debt recoverable is recognized when the City no longer has reasonable assurance of collection.

K. LAND FOR RESALE

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

L. LIABILITY FOR CONTAMINATED SITES

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The City recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists;
- there is evidence that contamination exceeds an environmental standard;
- the City is directly responsible or accepts responsibility for the contamination;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the City's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the City's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. When cash flows are expected to occur over extended future periods the City will measure the liability using present value techniques. This liability is recorded in Accounts payable and accrued liabilities in the Consolidated Statement of Financial Position.

M. DEPOSITS

Deposits are held for the purposes of securing the compliance of a third party to contractual stipulations. Deposits are returned when compliance with contractual stipulations is determined. The City recognizes deposits into revenue when a third party defaults on the contractual stipulations that the deposits were securing against.

N. DEFERRED REVENUE

Deferred revenue comprises funds received in advance of services performed or where the use of funds is externally restricted. These amounts are recognized as revenue in the period the service is performed or when the funds are used for the purpose specified. When agreements stipulate that interest earned on contributions should be restricted for a specific purpose, that interest is treated as a contribution received and recorded as an addition to deferred revenue.

O. EMPLOYEE BENEFIT OBLIGATIONS

The costs of post-employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties (Local Authorities Pension Plan and Special Forces Pension Plan). Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

P. ASSET RETIREMENT OBLIGATIONS

A liability for an asset retirement obligation is recognized when, as at the financial reporting date, all the following criteria are met:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Asset retirement obligations are initially measured as of the date of the legal obligation is incurred, based on management's best estimate of the amount required to retire tangible capital assets and subsequently remeasured taking into account any new information and the appropriateness of assumptions used. A present value technique is used to determine the amount of the obligation, the liability is adjusted for the passage of time and is recognized as accretion expense in the Consolidated Statement of Operations and Accumulated Surplus. When a liability of an asset retirement obligation is recognized, asset retirement costs related to recognized tangible capital assets in productive use are capitalized by increasing the carrying amount of the related asset by the same amount as the liability and are amortized over the estimated remaining useful life of the underlying tangible capital asset. Asset retirement costs related to unrecognized tangible capital assets and those not in productive use are expensed.

As at the financial reporting date, asset retirement obligations reflect the City's best estimate 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 taking into account any new information and the appropriateness of assumptions used.

Included in asset retirement obligations are landfill closure and post-closure liabilities. The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for inflation and discounted to current dollars. Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, monitoring ground and surface water, treatment and monitoring of leachates, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

Q. PUBLIC-PRIVATE PARTNERSHIPS

A public-private partnership (P3) is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services. The City's P3 with TransEd Partners General Partnership is assessed based on the substance of the underlying agreement. Costs incurred during construction or acquisition are recognized as tangible capital assets (classified as assets under construction), with a corresponding liability, both based on the estimated percentage of project completion. The asset is amortized over the estimated useful life once in service. The liability is reduced by progress payments and capital payments made to the P3 partner. The present value of future construction payments is recognized as long-term debt using the implicit interest rate at the time the agreement is signed. If the terms of the arrangement are renegotiated the effective interest method is used in accounting for the liability.

R. NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge 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. Non-financial assets include tangible capital assets, inventory of materials and supplies, prepaids, GST receivable/payable and other assets.

i. **Tangible Capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

ii. **Contributed Tangible Capital Assets**

Tangible capital assets acquired as contributions are recorded at their fair value on the date received and corresponding revenues are recorded as contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii. **Prepaids**

Prepaids include prepaid software, insurance and rent are charged to expense over the periods expected to benefit from it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

iv. **Leases**

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits and risks to the City incidental to ownership of property are accounted for as capital leases. Assets under a capital lease are included within the respective tangible capital asset classifications. All other leases are accounted for as operating leases and the related lease payments, net of tenant inducements, are charged to expenses on a straight-line basis over the lease term.

v. **Land Under Roads**

Within tangible capital assets is land under roads that is acquired other than by a purchase agreement and is valued at a nominal amount, as the fair value is not determinable.

vi. **Inventory of Materials and Supplies**

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vii. **Cultural, Historical and Works of Art**

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. Costs for public art are expensed in the period they are incurred.

S. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

The City continues to assess the impact and prepare for the adoption of the following standards:

The Conceptual Frameworks for Financial Reporting

The conceptual framework is the foundation for principles-based standards. It is a coherent set of interrelated objectives and fundamentals leading to consistent standards or application of consistent concepts in the absence of specific standards. This standard is effective for the City's fiscal year ending December 31, 2027.

Financial Statement Presentation

PS1202, *Financial Statement Presentation*, will replace PS1201, *Financial Statement Presentation*. PS1202 sets out the general and specific requirements of the presentation of financial information and is based on the concepts in the conceptual framework. This standard is effective for the City's fiscal year ending December 31, 2027.

Employee Benefits

PS3251, *Employee Benefits*, will replace PS3250, *Retirement Benefits* and PS3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. PS3251 introduces various key changes to the accounting for employee benefits including focusing on the immediate recognition of revaluation gains and losses, updates to discount rate guidance, and formalizing constructive obligations. This standard is effective for the City's fiscal year ending December 31, 2030.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

02 CASH AND CASH EQUIVALENTS

	2025	2024
Cash	\$ 65,984	\$ 62,610
Cash equivalents	181,218	164,534
	\$ 247,202	\$ 227,144

Cash equivalents have effective interest rates of 2.3 per cent to 2.8 per cent (2024 - 3.4 to 4.1 per cent) and generally mature within ninety days from the date of purchase.

The City has access to an unsecured line of credit of up to \$250,000 CDN and \$10,000 USD (2024 - \$250,000 CDN and \$10,000 USD) to cover any bank overdrafts arising from day-to-day cash transactions. As of December 31, 2025, the availability on the line of credit was reduced by \$388 CDN (2024 - \$388) due to letters of credit.

03 RECEIVABLES

	2025	2024
Trade	\$ 160,004	\$ 159,481
Local improvements	112,806	117,606
Taxes	137,963	116,370
Government transfers:		
Investing in Canada Infrastructure Program	403,081	329,728
Canada Mortgage and Housing Corporation Fund	49,621	43,933
Alberta Transportation Grant	36,719	52,602
Building Canada Fund	20,260	27,217
National Trade Corridors Fund	12,769	11,335
Canada Community-Building Fund		29,471
Other	11,487	4,986
GST receivable	11,122	28,788
Pension fund asset (Note 25)	42,518	35,084
	\$ 998,350	\$ 956,601

Trade is net of allowance for doubtful accounts of \$5,000 (2024 - \$4,522). Taxes is net of allowance for doubtful accounts of \$6,352 (2024 - \$4,728). GST is a non-financial asset. The pension fund asset relates to the City's share of the Fire Fighters' Supplementary Pension Plan asset balance and the Fire Chief Plan net fund asset (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

04 PORTFOLIO INVESTMENTS

	2025		2024	
	Market Value	Carrying Value	Market Value	Carrying Value
Portfolio investments carried at fair value:				
Equity:				
Canadian	\$ 293,399	\$ 293,399	\$ 248,002	\$ 248,002
Global	714,016	714,016	662,006	662,006
	1,007,415	1,007,415	910,008	910,008
Portfolio investments carried at cost/amortized cost:				
Cash	4,702	4,702	8,437	8,437
Fixed income funds:				
Short-term notes and deposits	298,750	298,846	352,526	352,622
Government guaranteed bonds	782,989	813,518	695,747	716,085
Corporate bonds and debentures	431,557	434,385	451,094	454,835
Pooled fund	144,640	124,072	121,958	108,074
Private pooled funds	334,179	275,243	308,601	259,052
Other investments	17	17	117	117
	1,996,834	1,950,783	1,938,480	1,899,222
	\$ 3,004,249	\$ 2,958,198	\$ 2,848,488	\$ 2,809,230

All portfolio investments carried at fair value are level 2. Refer to Note 1g for a description of levels 1, 2 and 3. During the year, there were no transfers between levels of hierarchy.

All investments held by the City must comply with the MGA, the Municipal Investment Regulation and the City's investment policy (E212E).

The cost of equity portfolio investments at December 31, 2025, is \$807,589 (2024 - \$771,906).

Short-term notes and deposits have effective interest rates of 1.0 to 3.2 per cent (2024 - 0.3 to 5.0 per cent) and mature in less than one year. Government, government guaranteed bonds and corporate bonds and debentures have effective interest rates of 2.3 to 5.3 per cent (2024 - 2.9 to 5.5 per cent) with maturity dates from 2026 to 2062 (2024 - 2025 to 2062).

The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds. The private pooled funds represent an interest in a globally diversified portfolio of core-yielding infrastructure, real estate investments and commercial mortgages.

Investments with a cost of \$980,357 (2024 - \$925,780) and fair value of \$1,149,560 (2024 - \$1,045,563) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund of \$48,085 (2024 - \$46,439) was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. In accordance with the Bylaw, the fund is in a position to pay a special dividend when the market value of the fund as at June 30 of the preceding year is more than 15 per cent above the inflation-adjusted principal. There were no special dividends in 2024 and 2025. Any amendment to the Bylaw requires advertisement and a public hearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

05 DERIVATIVES

The City enters into derivative forward foreign currency contracts to manage its portfolio investment exposure to foreign currencies. As at December 31, 2025, the City held forward foreign exchange contracts for a net purchase of \$16,496 (2024 - \$10,795) in various currencies and fixed rates that mature at dates that vary until September 15, 2027. The fair value of these contracts at December 31, 2025, is a liability of \$4,389 (2024 -\$632) and they are fair valued using level 2 inputs (Note 1g).

The City enters into derivative forward fuel price contracts with various banking institutions to manage its exposure to fuel price fluctuations. As at December 31, 2025, the City held forward fuel price contracts for 22.2 million liters (2024 - 22.0 million litres) of heating oil at prices that range from \$0.75 to \$0.82 per liter (2024 - \$0.79 to \$0.90 per litre) and mature at various dates until December 31, 2026. The fair value of these contracts outstanding at December 31, 2025, is a liability of \$839 (2024 - asset of \$39) and they are fair valued using level 2 inputs (Note 1g).

06 FINANCIAL RISK MANAGEMENT

The City is exposed to a variety of financial risks associated with its financial instruments. These financial risks include market risk, credit risk and liquidity risk. There have been no significant changes to risk exposures, objectives and policies compared to 2024.

A. MARKET RISK

All investments held by the City must comply with the MGA, the Municipal Investment Regulation and the City's internal investment policy (C212E). Established by the City Manager, an Investment Committee governs and provides oversight of the City's investments. The objective of the Council-approved investment policy is to preserve the principal investment amount and maximize investment returns within an acceptable and prudent level of risk. Asset mix targets are determined based on investment earnings objectives, investment time horizon and level of risk tolerance. As part of an annual review process, a formal risk assessment of the City's investment program ensures risk mitigation strategies and controls are in place and consistent with industry best practices.

Market risk consists of three types of risk: price risk, interest rate risk and foreign currency risk.

i. Price Risk

The City is exposed to market price risk, the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, its issuer or general market factors affecting all securities. To manage this risk, the City has established an investment policy with a target asset mix that is diversified by asset class with individual issuer limits and is designated to achieve a long-term rate of return with an acceptable level of risk. In addition, to manage fluctuations in fuel prices, the City hedges a portion of this risk by entering into fuel price derivative forward contracts (Note 5). To manage fluctuation in utility prices the City entered into fixed purchase agreements and Virtual Power Purchase Agreements (Note 26).

Common and preferred share funds have a fair value of \$1,007,415 (2024 - \$910,008) and comprise 34.1 per cent (2024 - 32.4 per cent) of the City's total portfolio investments (Note 4). As at December 31, 2025, if equity prices increased or decreased by 10 per cent with all other factors remaining constant, the City's fair value of portfolio investments and accumulated remeasurement gains and losses would have increased or decreased by approximately \$100,742 (2024 - \$91,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

ii. Interest Rate Risk

Interest rate risk is the risk that future cash flows or fair values will fluctuate due to the volatility of market interest rates. The City is exposed to interest rate risk through its investments in fixed income securities. If interest rates increased (decreased) by 25 basis points (0.25 per cent) as at December 31, 2025, and all other variables are held constant, the fair value of portfolio investments would increase (decrease) by approximately 1.17 per cent or \$17,532 (2024 - 1.14 per cent or \$17,159). Interest rate risk on the City's long-term debt is managed through fixed-rate agreements, thereby mitigating interest rate risk from rate fluctuations over the term of the outstanding debt (Note 14).

iii. Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The City is exposed to foreign currency risk on equities, fixed income securities and general working capital accounts that are denominated in foreign currencies other than the Canadian dollar. To manage this risk, a portion of the currency exposure may be hedged by foreign currency forward contracts (Note 5). Foreign currency forwards are contractual obligations either to buy or sell a specified amount of foreign currencies at predetermined future dates and exchanges.

At December 31, 2025, the total foreign currency denominated equities and fixed income securities currency exposure represents approximately 22.2 per cent of the portfolio investment balance which include 18.7 per cent in US dollars, 1.8 per cent in Japanese yen, and 1.7 per cent in Hong Kong dollars. A 10 per cent strengthening (weakening) of the Canadian dollar versus these currencies as at December 31, 2025, and all other variables are held constant, would have decreased (increased) the portfolio investment fair value and accumulated remeasurement losses (gains) by \$35,790 (2024 - \$35,563).

B. CREDIT RISK

Credit risk is the risk of loss arising from the failure of a counterparty to fully honor its contractual obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies. The carrying amount of the City's cash and cash equivalents, receivables, derivatives, debt recoverable and portfolio investments represent the maximum exposure to credit risk.

Accounts receivable primarily consists of trade receivables, local improvements, taxes and government transfers. The City periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. Cash and cash equivalents, when invested, are invested in investment grade securities. Debt recoverable are monitored and issued through City bylaws as described in Note 7. The City's policies restrict the types and proportions of eligible portfolio investments, as such mitigating the City's exposure to credit risk. The credit rating for Canadian government and corporate bonds held is as follows:

	2025	2024
AAA	42.6%	36.2%
AA	22.6%	24.0%
A	21.8%	26.1%
BBB	13.0%	13.7%
	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

C. LIQUIDITY RISK

Liquidity risk is the risk that the City will encounter difficulty under both normal and stressed conditions in meeting obligations associated with financial liabilities that are settled by delivery of cash and cash equivalents or another financial asset. The City manages liquidity risk by regularly monitoring its working capital and reserve assets to determine the optimum mix of short-term and long-term investments and ensure it has sufficient liquidity while also maximizing returns on a prudent basis. The City has access to an underway \$10,000 US line of credit. City bylaw 19302 allows the City access to short-term borrowing in the sum of \$500,000 CAD with a term no greater than three years. Therefore, the City has access to an undrawn \$250,000 CAD to meet current and forecasted financial requirements in a cost-effective manner. The ability also exists to issue promissory notes for a term of one year or less to a maximum of \$250,000 CAD.

07 DEBT RECOVERABLE

Debt recoverable of \$21,308 (2024 - \$21,613) consists of amounts borrowed by the City and provided to the Edmonton Catholic Separate School District and Francis Winspear Centre for Music to be recovered through agreements. The financial arrangements are in accordance with section 264 of the Municipal Government Act and are authorized by City bylaws. The arrangements have the same general repayment terms as the respective debt with interest accrued on outstanding amounts. As of December 31, 2025, the Edmonton Catholic Separate School District and Francis Winspear Centre for Music are in compliance with the terms of the financial arrangement. The receivables bear an implicit annual interest rate ranging between 2.5 to 4.3 per cent (2024 - 2.5 to 4.3 per cent) and will be fully recovered between the years 2041 and 2043, respectively.

Principal and interest payments recoverable for each of the next five years and thereafter are as follows:

	Principal	Interest	Total
2025	\$ 1,091	\$ 737	\$ 1,828
2026	1,043	630	1,673
2027	1,074	599	1,673
2028	1,106	567	1,673
2029	1,140	534	1,674
Thereafter	15,854	3,419	19,273
	\$ 21,308	\$ 6,486	\$ 27,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

08 LAND FOR RESALE

	2025	2024
Land for Resale, beginning of year	\$ 246,888	\$ 231,750
Additions and transfers	52,636	35,824
Sales	(36,933)	(20,686)
Land for Resale, end of year	\$ 262,591	\$ 246,888

09 PROMISSORY NOTES PAYABLE

As at December 31, 2025, The City has three (2024 - three) promissory notes payable with maturity dates ranging from June 3, 2026 to June 17, 2026 (2024 - January 14, 2025 to June 11, 2025) with an interest rate of 2.4 per cent (2024 - 3.2 per cent to 3.8 per cent). The promissory notes are being accounted for at amortized cost, with the amount for the three notes at maturity totaling \$60,000 and (2024 - \$60,000) and a discounted value of \$59,312 (2024 - \$59,311).

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2025	2024
Trade	\$ 794,388	\$ 651,670
Developer obligations	214,251	237,368
Payroll and remittances	132,122	205,754
Provision for self-insured claims	32,311	33,316
Accrued interest	29,639	30,260
Contaminated sites (Note 27)	21,109	20,383
	\$ 1,223,820	\$ 1,178,751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

11 DEFERRED REVENUE

	2024	Contributions Received / Transferred Between Operating and Capital	Revenue Recognized	2025
Operating:				
Revenue in advance of service performed and other	\$ 44,338	\$ 83,359	\$ 87,777	\$ 39,920
Development permits	33,091	57,520	53,264	37,347
Deferred lease incentive	10,983		1,159	9,824
Canada Mortgage and Housing Corporation Fund	6,751	8,172	9,094	5,829
	95,163	149,051	151,294	92,920
Capital:				
Canada Mortgage and Housing Corporation Fund	91,347	67,581	25,114	133,814
Local Government Fiscal Framework	25,086	181,080	81,533	124,633
Canada Community Building Fund	46,039	62,263	76,899	31,403
Other	14,809	81,260	82,861	13,208
	177,281	392,184	266,407	303,058
	\$ 272,444	\$ 541,235	\$ 417,701	\$ 395,978

The following details the deferred revenue movement in 2024.

	2023	Contributions Received / Transferred Between Operating and Capital	Revenue Recognized	2024
Operating:				
Revenue in advance of service performed and other	\$ 56,034	\$ 125,952	\$ 137,648	\$ 44,338
Development permits	22,041	27,246	16,196	33,091
Canada Mortgage and Housing Corporation Fund	12,593	(2,324)	3,518	6,751
Deferred lease incentive	12,350	1	1,368	10,983
Affordable Housing Municipal Block Funding	900	12	912	
	103,918	150,887	159,642	95,163
Capital:				
Canada Mortgage and Housing Corporation Fund	54,651	46,128	9,432	91,347
Canada Community Building Fund	44,237	59,721	57,919	46,039
Local Government Fiscal Framework		158,261	133,175	25,086
Other	11,387	97,433	94,011	14,809
	110,275	361,543	294,537	177,281
	\$ 214,193	\$ 512,430	\$ 454,179	\$ 272,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

12 EMPLOYEE BENEFIT OBLIGATIONS

	2025	2024
Accrued vacation	\$ 117,750	\$ 109,420
Post-employment benefits	52,864	55,146
Banked overtime	17,254	15,881
Major medical and dental plans	14,632	8,373
Group Life Insurance Plan	11,034	11,169
Supplementary Management Retirement Plan	8,461	8,116
Health care spending	4,098	3,729
Other	1,141	967
	\$ 227,234	\$ 212,801

Post-employment benefits represent the City's cost, includes the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations until pensioners reach the age of 65 as set out below:

	2025	2024
Long-term disability benefit obligation	\$ 49,902	\$ 52,018
Eligible medical obligation	916	943
Eligible dental obligation	864	932
Other post-employment benefits	1,182	1,253
	\$ 52,864	\$ 55,146

For the long-term disability plan, an actuarial valuation was completed as at December 31, 2025, regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 3.0 per cent (2024 – 3.0 per cent). The accrued benefit obligation as at December 31, 2025 and 2024 and the changes during the year are as follows:

	2025	2024
Balance, beginning of year	\$ 52,018	\$ 50,977
Current service cost	13,701	11,232
Interest cost	1,867	1,758
Benefits paid	(6,983)	(7,223)
Actuarial (gain)	(10,701)	(4,726)
Balance, end of year - long-term disability benefit obligation	\$ 49,902	\$ 52,018

Eligible medical and dental obligations are estimated based on a five-year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65.

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements and administrative costs are applied to each of the respective plans.

A group life insurance plan is provided by the City, funded equally by employer and employees. This Plan is administered by Alberta Blue Cross.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

A supplementary management retirement plan (SMRP) for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of \$8,461 (2024 - \$8,116) has been based upon an extrapolation of an actuarial valuation completed as at December 31, 2023. The extrapolation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.0 per cent (2024 - 2.0 per cent). The discount rate used to determine the accrued benefit obligation is 3.0 per cent (2024 - 3.0 per cent). The expected salary increase is 3.0 per cent (2024 - 3.0 per cent), plus a merit and promotion increase of 0.5 per cent. Unamortized net loss of \$1,502 (2024 - \$1,585) will be amortized over the sixteen (2024 - fifteen) year average remaining service period of active plan participants. The next full valuation of the SMRP will be performed as of December 31, 2026.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the supplementary health care and dental plans. An estimate has been included in 2025 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

13 ASSET RETIREMENT OBLIGATIONS

	2025	2024
Balance, beginning of year	\$ 192,187	\$ 203,911
Net change for the year:		
Liability incurred		71
Liability settled	(11,088)	(33,036)
Accretion expense	5,352	2,969
Assets disposed	(2,049)	(369)
Change in estimate	6,310	18,641
Net change for the year	(1,475)	(11,724)
Balance, end of year	\$ 190,712	\$ 192,187

The City has identified various tangible capital assets where asset retirement obligations exist and mainly relate to buildings and equipment. The City estimated the nature and extent of hazardous materials in its buildings based on the potential square footage and the average costs per square foot to remove and dispose of the hazardous materials. Similarly, cost estimates were obtained for legislated removal of equipment at the end of its life. The estimate of these obligations is based on assessments provided by third-party experts, internal experts and engineers. These obligations are discounted using a present value technique. The undiscounted amount of estimated future cash flows required to settle these obligations is \$178,997 (2024 - \$185,888). The discount rates used for the present value technique ranged from 3.5 to 4.0 per cent (2024 - 3.2 to 4.7 per cent), and these obligations are expected to be settled between 2026 and 2087.

Included in asset retirement obligations are liabilities for landfill closure and post-closure care of \$47,646 (2024 - \$48,821). Under Provincial legislation, the City has liability for closure and post-closure care costs for its landfill sites. The undiscounted amount of estimated future cash flows required to settle these obligations is \$65,850 (2024 - \$62,289).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The Clover Bar landfill site was closed to the public in August 2009. The City used the landfill internally until 2018 with final closure in 2025, after which time the post-closure period is expected to be 25 years. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate of 5.7 per cent (2024 - 6.2 per cent) and inflation rate of 2.0 per cent (2024 - 2.0 per cent). An amount of \$40,332 (2024 - \$46,764) has been accrued and Waste Services currently maintains restricted cash of \$22,200 for the Clover Bar landfill liability. The remaining required funds for this liability will be funded through the collection of utility rates.

The Rundle Park landfill site was closed in 1973 and the post-closure care period ended in 1998. Although the former landfill is no longer regulated under an Alberta Environmental Protection and Enhancement Act approval, the City is obligated to ensure the site is safe for the environment and public use. The liability associated with this landfill includes the development of long-term landfill gas emission and mitigation strategies, a planned retrofit to the landfill flare facility and the annual cost of maintaining the landfill gas management system. An amount of \$1,216 (2024 - \$2,056) has been accrued.

14 LONG-TERM DEBT

A. DEBT PAYABLE

Debt payable includes the following amounts:

	2025	2024
Debentures	\$ 4,413,557	\$ 4,233,626
Mortgages	132,552	111,733
Public-private partnership (P3) term debt	441,152	450,621
	4,987,261	4,795,980
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	395,111	427,548
	\$ 4,592,150	\$ 4,368,432
Long-term debt comprises:		
Self-liquidating debt	520,245	520,113
Tax-supported debt		
Debenture debt	3,630,753	3,397,698
Public-private partnership (P3) term debt	441,152	450,621
	\$ 4,592,150	\$ 4,368,432

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

Principal and Interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2026	\$ 71,375	\$ 225,080	\$ 296,455	\$ 33,155	\$ 263,300
2027	63,275	227,406	290,681	32,396	258,285
2028	61,890	223,878	285,768	32,321	253,447
2029	61,667	209,462	271,129	32,338	238,791
2030	61,263	202,546	263,809	31,879	231,930
Thereafter	595,886	2,983,533	3,579,419	233,022	3,346,397
	\$ 915,356	\$ 4,071,905	\$ 4,987,261	\$ 395,111	\$ 4,592,150

Interest:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2026	\$ 30,437	\$ 163,081	\$ 193,518	\$ 14,194	\$ 179,324
2027	27,742	154,193	181,935	12,815	169,120
2028	25,442	145,379	170,821	11,498	159,323
2029	23,200	136,818	160,018	10,206	149,812
2030	21,006	129,008	150,014	8,957	141,057
Thereafter	170,043	1,129,905	1,299,948	34,681	1,265,267
	\$ 297,870	\$ 1,858,384	\$ 2,156,254	\$ 92,351	\$ 2,063,903

Total Payments:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2026	\$ 101,812	\$ 388,161	\$ 489,973	\$ 47,349	\$ 442,624
2027	91,017	381,599	472,616	45,211	427,405
2028	87,332	369,257	456,589	43,819	412,770
2029	84,867	346,280	431,147	42,544	388,603
2030	82,269	331,554	413,823	40,836	372,987
Thereafter	765,929	4,113,438	4,879,367	267,703	4,611,664
	\$ 1,213,226	\$ 5,930,289	\$ 7,143,515	\$ 487,462	\$ 6,656,053

EPCOR receivable amounts offset self-liquidating debt and interest payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

B. DEBT SERVICING LIMITS

The City of Edmonton Charter Regulation AR 39/2018 allows the City to establish its own debt limits on condition the City obtains an external credit rating and develops a Council-approved debt policy. The City obtains a credit rating annually, and on November 14, 2022, City Council approved City Policy C203D - Debt Management Fiscal Policy. The limits in the policy supersede the limits specified in the MGA regulation AR 255/2000. The City limits tax-supporting debt servicing to 18.0 per cent of tax-supported net expenditures and total debt servicing to 21.0 per cent of City revenue. Total debt servicing is permitted up to 26.0 per cent of City revenue for emergency purposes. The City's debt is limited to the level of debt that would result in total debt servicing equal to 26.0 per cent of City revenue using the City's average long-term borrowing rate.

The City's position with respect to debt servicing limits is as follows:

	2025	2024
Total debt servicing limit - emergency purposes (26% of City revenue)	\$ 1,007,289	\$ 939,211
Total debt servicing	418,368	391,900
Percentage used (%)	41.5	41.7
Total debt servicing limit (21% of City revenue)	\$ 813,580	\$ 758,593
Total debt servicing	418,368	391,900
Percentage used (%)	51.4	51.7
Tax Supported debt servicing limit (18% of tax-supported net operating expenditures)	\$ 541,564	\$ 514,567
Tax Supported debt servicing	363,606	337,068
Percentage used (%)	67.1	65.5

C. MATURITIES AND INTEREST RATES

Existing long-term debt matures in annual amounts in years 2026 through 2055 and debenture interest is payable at rates ranging from 1.0 to 6.4 per cent (2024 - 1.0 to 7.9 per cent). The average annual interest rate is 3.9 per cent for 2025 (2024 - 3.9 per cent).

D. INTEREST ON LONG-TERM DEBT

	2025	2024
Self-liquidating debt	\$ 31,760	\$ 33,744
Tax-supported debt	135,000	124,828
Public-private partnership (P3) term debt	19,783	20,193
	186,543	178,765
Less payments on offsetting amounts receivable	15,405	16,741
Long-term debt interest included in interest and bank charges	\$ 171,138	\$ 162,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

E. PUBLIC-PRIVATE PARTNERSHIP (P3) OBLIGATION

In February 2016, the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) to design, build, finance, operate and maintain stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period ran from 2016-2023 and the operating period from 2023-2050.

Under the P3 agreement, the City has key rights that include control over the infrastructure, inspection rights, termination options and receiving the infrastructure asset back at the end of the operating period. Key obligations for the City under the agreement include granting land and infrastructure access to TransEd for the duration of the agreement and making monthly payments during the operating period for P3 term debt and operating costs. The City's operating payments to TransEd cover both service costs, based on the service levels provided, and lifecycle rehabilitation costs. These operating payments are expensed because they do not extend the useful life of the infrastructure assets.

During construction of the Valley Line LRT, the City recognized capital costs as assets under construction. The assets are being amortized over their useful life now that the assets are in service. During the construction period, the City made progress payments on 50.0 per cent of the capital costs, based on a percentage of completion. Payments on the remaining 50.0 per cent of the capital costs are deferred and recognized as a P3 obligation to TransEd of which 16.7 per cent were settled in November 2023 upon substantial construction completion of the project. The remaining 33.3 per cent, which represents P3 term debt, is to be repaid by monthly interest and principal payments starting in the operating period. The effective interest rate of the P3 term debt is 4.4 per cent.

Principal and interest payments on the P3 term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
2026	\$ 9,897	\$ 19,355	\$ 29,252
2027	10,345	18,907	29,252
2028	10,813	18,439	29,252
2029	11,302	17,950	29,252
2030	11,813	17,439	29,252
Thereafter	386,982	196,720	583,702
	<hr/>	<hr/>	<hr/>
	\$ 441,152	\$ 288,810	\$ 729,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

15 TANGIBLE CAPITAL ASSETS

	Net book value	
	2025	2024
Land	\$ 2,188,172	\$ 2,195,294
Land improvements	1,378,152	1,300,458
Buildings	2,488,944	2,334,716
Vehicles	762,825	768,628
Machinery and equipment	379,159	396,455
Engineering structures:		
Roadway system	5,552,362	5,324,414
Light rail transit	1,584,494	1,520,593
Waste	36,965	39,503
Bus system	151,415	159,484
Other	80,506	75,689
	14,602,994	14,115,234
Assets under construction	2,492,147	1,840,805
	\$ 17,095,141	\$ 15,956,039

For additional information, including information on asset retirement obligation assets, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

16 OTHER ASSETS

	2025	2024
Benefit plan assets	\$ 15,408	\$ 11,226
Other	3,591	2,537
	\$ 18,999	\$ 13,763

17 EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is included within Accumulated Surplus. It represents the investment in tangible capital assets, after deducting the portion financed by Long-term debt.

	2025	2024
Cost of tangible capital assets (Schedule 1)	\$ 27,502,043	\$ 25,832,098
Accumulated amortization (Schedule 1)	(10,406,902)	(9,876,059)
Long-term debt (Note 14)	(4,592,150)	(4,368,432)
Debt recoverable (Note 7)	21,308	21,613
Long-term debt for land redevelopment	66,906	71,164
	\$ 12,591,205	\$ 11,680,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

18 RESERVES FOR FUTURE EXPENDITURES

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

	2025	2024
General Government:		
Pay-As-You-Go capital	\$ 210,991	\$ 151,423
Local improvement	134,202	138,504
Light rail transit	125,314	138,831
Sanitary servicing strategy fund	113,554	115,800
Affordable housing	79,861	80,757
Financial stabilization - unappropriated	74,910	85,204
Planning and development	69,940	56,343
Financial stabilization - appropriated	50,165	75,540
Funds in lieu - residential	47,217	46,799
Fleet services - vehicle replacement	40,784	42,910
Developer recoveries	29,601	23,097
Traffic safety and automated enforcement	19,468	11,308
Industrial Infrastructure Cost Sharing Program	19,269	14,942
Rogers Place Arena capital	13,987	12,930
Parkland	11,940	10,428
Natural areas	9,917	9,670
Vehicle for hire	8,965	5,806
Tree management	7,971	11,753
Tax-supported debt	6,577	5,217
Heritage resources	5,798	6,630
Public Art Reserve	5,601	1,336
Community Safety and Well Being	4,873	5,577
Perpetual care	4,342	7,279
Pay-As-You-Go capital - Edmonton Police Services	3,714	8,149
St. Francis Xavier	3,348	3,003
Motor vehicle insurance	2,500	2,500
Commercial Revitalization	2,302	7,016
Edmonton Elections Reserve	2,147	1,054
Commonwealth Stadium	2,146	1,389
Brownfield redevelopment	396	(866)
Edmonton Police Service	(4,870)	(580)
Neighbourhood renewal	(10,359)	2,356
Community revitalization levy - Belvedere	(17,107)	(17,015)
Community revitalization levy - Downtown	(20,935)	(9,453)
Community revitalization levy - Quarters	(26,495)	(23,031)
Interim financing	(32,119)	(33,438)
Other	205	41
	1,000,120	999,209
City of Edmonton Library Board	11,286	16,502
Non-Profit Housing Corporation	7,637	12,873
Explore Edmonton Corporation	2,000	
	\$ 1,021,043	\$ 1,028,584

The City maintains reserves that are used to accommodate differences between expenses and related funding sources. These include the Interim financing, Community Revitalization Levy and Brownfield Redevelopment reserves. Existing shortfalls in these reserves will be recovered through future funding sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

19 ACCUMULATED OPERATING SURPLUS

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

	2025	2024
General government operations	\$ 31,052	\$ (4,241)
Restricted surplus:		
EPCOR Utilities Inc. (Note 23)	5,476,500	5,172,092
Less: EPCOR Accumulated other comprehensive income	(183,151)	(258,142)
Reserves for future expenditures (Note 18)	1,021,043	1,028,584
Ed Tel Endowment Fund	980,357	925,770
Land Enterprise	157,234	120,389
Pension and benefits	57,926	46,310
Waste Services Utility	24,817	20,400
Explore Edmonton	6,721	6,807
City of Edmonton Library Board	6,245	5,925
Edmonton Unlimited	4,235	2,976
Edmonton Combative Sports Commission	351	374
Fort Edmonton Management Company	(614)	1,728
Renewable Energy Systems Utility	(16,735)	(12,968)
Equity in tangible capital assets (Note 17)	12,591,205	11,680,384
Advances for construction	36,071	165,211
Obligation to be funded in future years	(143,066)	(143,366)
	\$ 20,050,191	\$ 18,758,233

Obligations to be funded in future years relate to asset retirement obligations less obligations for landfill post-closure care.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

20 NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	Budget	2025	2024
Taxes:			
Property taxes	\$ 2,833,885	\$ 2,832,576	\$ 2,616,340
Community revitalization levy ("CRL")	43,021	43,643	40,729
Revenue in lieu of taxes	34,530	35,776	25,710
Special tax - alley lighting	743	760	897
Tax appeals and allowances	(18,739)	(14,652)	(26,549)
Supplementary taxes and business revitalization levy	5,593	15,037	13,473
	2,899,033	2,913,140	2,670,600
Less taxes on behalf of:			
Education	581,244	575,075	529,120
Business improvement area and other		5,107	4,592
	581,244	580,182	533,712
Net taxes available for municipal purposes	\$ 2,317,789	\$ 2,332,958	\$ 2,136,888

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to Accounts payable and accrued liabilities - Trade (Note 10).

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately in Other in the Consolidated Statement of Operations and Accumulated Surplus.

Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2025, the City has three active CRL areas: the Quarters, Belvedere and Capital City Downtown. The CRL taxes collected include property taxes, revenue in lieu of taxes and other taxes. In 2025, \$5,819 (2024 - \$5,740) incremental tax levy was collected in the Quarters CRL, including \$1,109 (2024 - \$1,076) in education taxes. The Belvedere CRL collected \$1,951 (2024 - \$1,683) in incremental tax levy during the year, including \$364 (2024 - \$304) in education taxes. The Capital City Downtown CRL collected \$35,873 (2024 - \$33,306) in incremental tax levy during the year, including \$8,164 (2024 - \$7,665) in education taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

21 GOVERNMENT TRANSFERS

	Budget	2025	2024
Operating:			
Federal	\$ 60,134	\$ 62,264	\$ 60,082
Provincial	86,487	91,530	105,711
	146,621	153,794	165,793
Capital:			
Federal	647,145	429,988	290,385
Provincial	892,352	456,989	411,098
	1,539,497	886,977	701,483
Total Government Transfers	\$ 1,686,118	\$ 1,040,771	\$ 867,276

Operating - Provincial

In 2025, the City received a grant of \$23,329 (2024 - \$23,329) from the Province for Family and Community Support Services funding. In 2025, \$23,329 (2024 - \$23,329) was recognized as operating government transfers, while \$0 was recorded as deferred revenue in 2024 and 2025.

Capital - Federal

In 2024, the Government of Canada renewed the Canada Community Building Fund agreement. In 2025 the City received \$90,920 (2024 - \$29,471) and earned interest of \$814 (2024 - \$778). In 2025, the City recognized \$33,294 (2024 - \$14,313) as capital government transfers and \$43,605 (2024 - \$43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. In 2025, \$31,403 of deferred revenue was recorded (2024 - \$16,568 deferred revenue net of receivables).

Through the Building Canada Fund, an agreement was signed for the Valley Line LRT expansion in 2017. In 2018, agreements for the Fort Edmonton Park Expansion project and the Yellowhead Trail Freeway Conversion project were also signed. In 2025, the City received \$55,563 (2024 - \$31,720) and recognized \$48,606 (2024 - \$33,557) as capital government transfers. A receivable was recorded for \$20,260 (2024 - \$27,217).

In 2019, through the National Trade Corridors Fund, the government of Canada signed an agreement to fund the CP Railway grade separation at 50 Street. In 2025, the City received \$11,226 (2024 - \$19,854) and recognized \$12,660 (2024 - \$11,937) as capital government transfers. A receivable of \$12,769 (2024 - \$11,335) was recorded.

The City and Canada Mortgage and Housing Corporation signed agreements to acquire affordable housing for those experiencing homelessness, support the renovation of affordable housing for vulnerable Canadians, and address the housing shortage which is reducing the availability of affordable housing. In 2025, the City received \$70,065 (2024 - \$4,696) and recognized \$25,114 (2024 - \$14,116) of capital government transfers and \$9,094 (2024 - \$3,659) of operating government transfers. In 2025, \$90,022 in deferred revenue net of receivables was recorded (2024 - \$54,165).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

Capital - Provincial

In 2020, the Ministry of Transportation signed an agreement with the City for the Tewilligar Drive Expansion. Subsequently, the Ministry awarded another agreement for the 50th Street CP Railway Grade Separation and Yellowhead Trail Freeway Conversion. In 2025, the City received \$81,342 (2024 - \$68,076). The City recognized \$65,459 (2024 - \$58,643) as capital government revenue and recorded a receivable of \$36,719 (2024 - \$52,602).

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2025, the City received \$0 (2024 - \$2,316), net of \$135 (2024 - \$89) received on behalf of regional transit partners and earned interest of \$93 (2024 - \$127). In 2025, the City recognized \$871 (2024 - \$896) as capital government transfers and deferred revenue of \$2,364 (2024 - \$3,277) was recorded.

In 2024, the Province introduced the Local Government Fiscal Framework (LGFF) Capital Program to replace the Municipal Sustainability Initiative (MSI) Program to continue providing municipalities with sustainable funding to support infrastructure and economic prosperity. In 2025, the City received \$179,067 (2024 - \$158,135) from the Province, earned interest of \$2,013 (2024 - \$126) and recognized \$81,533 (2024 - \$133,175) as capital government transfers. In 2025, the City recorded \$124,633 (2024 - \$25,086) deferred revenue.

Through the Investing In Canada Infrastructure Program, the governments of Canada and Alberta signed an agreement to provide funds to build inclusive and prosperous communities while supporting a low-carbon, green economy. In 2025, the City received \$525,193 (2024 - \$233,677) and earned interest of \$404 (2024 - \$44). The City recognized \$598,950 (2024 - \$420,423) as capital government transfers and \$403,081 (2024 - \$329,728) was recorded as a receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

22 EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2025	2024
Mayor:				
Sohi	\$ 172	\$ 26	\$ 198	\$ 247
Knack	29	5	34	-
	201	31	232	247
Councillors:				
Salvador	126	33	159	154
Wright	126	31	157	151
Principe	126	36	162	156
Stevenson	126	34	160	155
Janz	126	34	160	155
Rutherford	126	31	157	153
Tang	126	33	159	152
Paquette	126	32	158	154
Knack	110	29	139	153
Cartmell	110	42	152	150
Hamilton	110	56	166	155
Rice	110	27	137	154
Morgan	15	6	21	
Clarke	15	9	24	
Elliott	15	5	20	
Parmar	15	9	24	
	1,508	447	1,955	1,842
Chief Administrative Officer (City Manager)	339	45	384	941
Designated Officers	1,056	114	1,170	1,194
	\$ 3,104	\$ 637	\$ 3,741	\$ 4,224

Executive salaries and benefits are included in Corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances. The City of Edmonton Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 39 weeks.

The new mayor was sworn in on October 29, 2025, after transitioning from the previous position as Councillor. The City's designated officers are designated by City bylaws and include the City Assessor, City Auditor, Chief of Police, Executive Director of Edmonton Combative Sports Commission and the Integrity Commissioner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

23 SUBSIDIARY OPERATIONS - EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems and infrastructure in Canada and the United States. EPCOR also provides electricity, natural gas and water products and services to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR.

	2025	2024
Financial position:		
Current assets	\$ 719,930	\$ 853,255
Capital assets	15,203,871	14,408,238
Other assets	1,087,367	1,153,323
Total assets	17,011,168	16,414,816
Current liabilities (including current portion of long-term debt of \$166,560 (2024 - \$185,138))	1,061,306	1,129,853
Non-current liabilities	5,730,807	5,521,064
Long-term debt	5,116,730	4,919,100
Total liabilities	11,908,843	11,570,017
Accumulated other comprehensive income	183,151	258,142
Share capital	797,529	797,528
Retained earnings	4,121,645	3,789,129
Shareholder's equity	\$ 5,102,325	\$ 4,844,799
Results of operations:		
Revenues	\$ 2,933,539	\$ 3,394,722
Expenses	(2,400,022)	(2,968,243)
Net income	\$ 533,517	\$ 426,479
Changes in shareholder's equity:		
Shareholder's equity - opening	\$ 4,844,799	\$ 4,495,006
Net income	533,517	426,479
Other comprehensive (loss) income	(74,991)	116,314
Dividend to shareholder (City of Edmonton)	(201,000)	(193,000)
Shareholder's equity - ending	\$ 5,102,325	\$ 4,844,799

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

During 2025, the City contributed \$51,627 (2024 - \$34,472) in tangible capital assets to EPCOR and recorded \$4,745 (2024 - \$3,885) of amortization. The difference between the City's investment in EPCOR and EPCOR's shareholder's equity represents the accumulated tangible capital assets contributed to EPCOR from the City less the related amortization as follows:

	2025	2024
EPCOR's shareholder's equity	\$ 5,102,325	\$ 4,844,799
Accumulated contributed tangible capital assets to EPCOR	394,985	343,358
Accumulated amortization over useful life	(20,810)	(16,065)
Investment in EPCOR	\$ 5,476,500	\$ 5,172,092

The difference of \$374,175 (2024 - \$327,293), representing the accumulated tangible capital assets contributed to EPCOR from the City and the related amortization, will be amortized over the useful life of the assets contributed.

Principal payments on EPCOR's long-term debt for the next five years and thereafter and deferred financing charges are as follows:

2026	\$ 33,992
2027	33,090
2028	32,887
2029	182,783
2030	282,148
Thereafter	4,578,484
	\$ 5,143,384

EPCOR has issued letters of credit for \$31,525 (2024 - \$92,981) to meet the credit agreements of electricity market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes EPCOR's related party transactions with the City for the year:

	2025	2024
Dividend paid to the City	\$ 201,000	\$ 193,000
Franchise fees paid to the City	145,110	129,908
Financing expenses paid or payable to the City	14,629	15,881
Sales of administrative and construction services from the City	4,500	5,292
Property taxes and other taxes paid to the City	35,208	31,026
Costs of capital construction paid or payable to the City	107,784	65,751
Power and water purchased by the City	5,058	4,133
Other services purchased by the City	24,657	27,293

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates or as agreed to by the parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The following summarizes EPCOR's related party balances with the City.

	2025	2024
Trade and other receivables	\$ 20,848	\$ 42,014
Property, plant and equipment	60,572	65,751
Trade and other payables	33,367	30,711
Loans and borrowings issued in the name of the City	395,111	427,548
Deferred revenue and other liabilities	75,656	63,682

The City's financial statements include the net balance receivable from EPCOR within receivables (Note 3). The City's consolidated Long-term Debt (Note 14) is presented on a PSAS basis, net of offsetting receivables from EPCOR of \$395,111 (2024 - \$427,548).

24 UTILITY FRANCHISE AGREEMENT FEES

The following franchise fees are disclosed as required under Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Budget	2025	2024
EPCOR Distribution Inc. - Power	\$ 93,206	\$ 105,682	\$ 80,780
ATCO Gas and Pipelines Ltd. - Gas	100,055	95,943	95,167
EPCOR Water Services Inc. - Water	21,612	23,072	21,280
EPCOR Water Services Inc. - Drainage	12,530	13,013	13,781
EPCOR Water Services Inc. - Wastewater	10,877	11,209	11,429
	\$ 238,280	\$ 248,919	\$ 222,437

25 PENSION AND LONG-TERM DISABILITY PLANS

A. LOCAL AUTHORITIES PENSION PLAN

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is a public sector pension plan in Alberta registered under the Alberta Employment Pension Plans Act (EPPA). The LAPP plan is a multiemployer defined benefit plan accounted for as a defined contribution plan because the City's share of the obligation is not determinable. The LAPP plan provides an annual retirement benefit of 1.4 per cent of pensionable salary up to the year's maximum pensionable earnings (YMPE) and 2.0 per cent of pensionable salary over YMPE. Under the Alberta Public Sector Pension Plans Act, the City and members of the LAPP plan made the following contributions:

	2025 Employer	2025 Employee	2024 Employer	2024 Employee
Current service contributions	\$ 114,567	\$ 102,534	\$ 97,099	\$ 86,477
Contribution rates up to YMPE (%)	8.45	7.45	8.45	7.45
Contribution rates above YMPE (%)	11.65	10.65	11.65	10.65

As of December 31, 2024, the LAPP reported the value of its asset at \$70,699,000 and a surplus for the overall plan of \$19,557,000. The asset value and surplus/deficit information as at December 31, 2025 was not available at the time of preparing these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

B. SPECIAL FORCES PENSION PLAN

Police officers employed by the City are participants in the multiemployer Special Forces Pension Plan (SFPP). The SFPP plan is a multiemployer defined benefit plan accounted for as a defined contribution plan because the City's share of the obligation is not determinable. The SFPP provides an annual retirement benefit of 1.4 per cent of pensionable earnings up to YMPE, 2.0 per cent of pensionable earnings over YMPE, a bridge benefit of 0.60 per cent of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the Income Tax Act (ITC). Under the Alberta Public Sector Pension Plans Act, the City and members of the SFPP made the following contributions:

	2025 Employer	2025 Employee	2024 Employer	2024 Employee
Current service contributions	\$ 40,363	\$ 37,274	\$ 36,239	\$ 33,515
Contribution rates (%)	14.30	13.20	14.55	13.45

As at December 31, 2024, the SFPP reported the value of its assets at \$4,758,000 and a surplus for the overall plan of \$624,000. The asset value and surplus/deficit information as at December 31, 2025, was not available at the time of preparing these financial statements.

C. CITY-SPONSORED PENSION PLANS

The City, in conjunction with the City of Edmonton Investment Committee, administers Pension Fund assets on behalf of third parties. Related trust assets not owned by the City have been excluded from the reporting entity. Assets consist of government, government guaranteed and corporate bonds valued at market quotations from Canadian and global investment dealers, along with Canadian and global common and preferred shares valued at the closing price on the stock exchange where listed. Other investments within the Pension Funds and Long-term Disability Plan include global infrastructure assets. The City's share of the Fire Fighters' Supplementary Pension Plan asset balance and the Fire Chief Plan net fund liability has been recognized in the financial statements.

The following summarizes plans sponsored by the City.

i. Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 4 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were \$14 (2024 - \$14).

ii. Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$9,871 (2024 - \$10,137). The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report as follows:

	2025 Employer	2025 Employee	2024 Employer	2024 Employee
Current service contributions	\$ 4,951	\$ 4,051	\$ 5,853	\$ 5,000
Contribution rates (%)	2.80	2.20	3.30	2.70

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

iii. Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of Fire Chief and Deputy Fire Chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$292 (2024 - \$270). The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report as follows:

	2025 Employer	2025 Employee	2024 Employer	2024 Employee
Current service contributions	\$ 115	\$ 71	\$ 93	\$ 55
Contribution rates (%)	4.38	4.38	3.22	3.22

Accounting Methodology

Annual valuations for accounting purposes are completed for the City-sponsored registered and non-registered defined-benefit pension plans (PSPP, FFSP and Fire Chief) and post-retirement benefits using the projected unit credit actuarial cost method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the consolidated financial statements. The significant actuarial assumptions used for the valuations reflect the City's best estimates at December 31 and are as follows:

	2025	2024
Year end obligation discount rate (%)	5.9	5.9
Inflation rate (%)	2.0	2.0
Expected rate of return on plan assets (%)		
PSPP	5.9	5.9
FFSPP	5.9	5.9
Fire Chief	5.9	5.9

In accordance with regulations, actuarial valuations for funding purposes are performed at least triennially for registered plans, except for the SFPP, to determine the City's required contributions to the plan trusts. The most recent actuarial valuations for the purposes of developing funding requirements were prepared as of the following dates:

Pension Plan	Latest Valuation Date
PSPP	December 31, 2024
FFSPP	December 31, 2023
Fire Chief	December 31, 2023

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 15.4 per cent (2024 - 17.2 per cent). The net actuarial gain is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 15.0 years (2024 - 15.0 years) and of the Fire Chief plan of 8.0 years (2024 - 3.0 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The following table sets out the results of the most recent valuations for accounting purposes of the City sponsored registered pension plans:

	PSPP	FFSPP	Fire Chief	2025	2024
Fair value of plan assets, beginning of year	\$ 21,401	\$ 382,427	\$ 5,461	\$ 409,289	\$ 350,781
Contributions - employer		4,951	115	5,066	5,908
Contributions - employee		4,051	71	4,122	5,055
Expected return on plan assets	1,252	22,347	316	23,915	20,537
Less benefits paid	(14)	(9,871)	(292)	(10,177)	(10,420)
Actuarial gain	2,502	32,124	499	35,125	37,428
Fair value of plan assets, end of year	25,141	436,029	6,170	467,340	409,289
Accrued benefit obligation, beginning of year	51	237,490	4,680	242,221	243,415
Current period benefit cost		9,684	126	9,810	8,607
Interest on accrued benefit obligation	3	13,888	269	14,160	14,187
Less benefits paid	(14)	(9,871)	(292)	(10,177)	(10,420)
Actuarial loss (gain)	5	5,097	114	5,216	(13,568)
Accrued benefit obligation, end of year	45	256,288	4,897	261,230	242,221
Funded status - plan surplus	\$ 25,096	\$ 179,741	\$ 1,273	\$ 206,110	\$ 167,068

The accrued benefit asset for the FFSP is shared 55.0 per cent by the City as the employer and 45.0 per cent by employees. Included in Receivables (Note 3) is the net employer share of the fund asset balance for the FFSP and the net fund asset for the Fire Chief Plan as follows:

	PSPP	FFSPP	Fire Chief	2025	2024
Funded status - plan surplus	\$ 25,096	\$ 179,741	\$ 1,273	\$ 206,110	\$ 167,068
Unamortized net actuarial gain		(103,447)	(717)	(104,164)	(82,258)
Accrued benefit asset	25,096	76,294	556	101,946	84,810
Valuation allowance	25,096			25,096	21,350
Employee portion of accrued benefit asset		34,332		34,332	28,376
Net fund asset		\$ 41,962	\$ 556	\$ 42,518	\$ 35,084

The following table sets out the benefit plan related expense for each of the pension plans:

	PSPP	FFSPP	Fire Chief	2025	2024
Current period benefit cost		\$ 9,684	\$ 126	\$ 9,810	\$ 8,607
Amortization of actuarial gains	(2,497)	(5,459)	(47)	(8,003)	(4,602)
Less purchase of service contributions			(71)	(71)	(266)
Increase in valuation allowance	3,746			3,746	3,268
Benefit expense	1,249	4,225	8	5,482	7,007
Interest on accrued benefit obligation	3	13,888	269	14,160	14,187
Less expected return on plan assets	(1,252)	(22,347)	(316)	(23,915)	(20,537)
Benefit interest income	(1,249)	(8,459)	(47)	(9,755)	(6,350)
Total (income) expense		\$ (4,234)	\$ (39)	\$ (4,273)	\$ 657

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

D. LONG-TERM DISABILITY PLAN

The City, in conjunction with the City of Edmonton Investment Committee, administers the Long-term Disability Plan (the Plan) assets on behalf of third parties, made available to permanent City employees to provide protection against loss of income. The employee pays 100.0 per cent of the premium for the Plan. Related trust assets not owned by the City have been excluded from the reporting entity.

An actuarial valuation of the Plan was completed as at December 31, 2025. The Plan's assets are valued at fair value.

	2025	2024
Fair value of assets	\$ 207,378	\$ 182,090
Less: Accrued benefit obligation	151,939	155,802
Net assets	\$ 55,439	\$ 26,288

26 COMMITMENTS

A. CONTRACTUAL OBLIGATIONS

The City entered into a contract with ENMAX Commercial Services Inc. expiring December 31, 2028, to purchase electricity at a fixed price and volume per hour in order to meet its estimated annual consumption requirements. The estimated commitment for 2026 is \$44,648 of the estimated remaining commitment of \$135,663. Estimates are subject to change from variances in volume and distribution charges.

The City entered into a contract with ENMAX Energy Corporation expiring December 31, 2029, to purchase natural gas at a fixed price and volume per hour in order to meet its estimated annual consumption requirements. The estimated commitment for 2026 is \$9,191 of the estimated remaining commitment of \$37,400. Estimates are subject to change from variances in volume and distribution charges.

The City entered into two 20-year Virtual Power Purchase Agreements (VPPA), related to wind and solar renewable energy attributes, that end in 2044. VPPAs are instruments under which the City receives or pays the difference between fixed contracted prices per megawatt-hour (MWh) of electricity and settled market prices. In addition, the City receives contracted Renewable Energy Certificates (RECs) generated by the renewable facilities. MWh and RECs may vary annually based on the facilities generation. The solar project commenced in April 2024 and the City paid \$7,468 from the commencement to December 31, 2025 in relation to the solar agreement. The wind project commenced in September 2025 and the City paid \$1,463 in 2025 in relation to the wind agreement. Payments or receipts may fluctuate year over year depending on the settled market price of electricity. As permitted under PS3450 Financial Instruments, these contracts were not accounted for as embedded derivatives because on transition to PS3450, on January 1, 2023, the City made an accounting policy choice to identify embedded derivatives on contracts entered into on a prospective basis.

The City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of the Valley Line Southeast LRT. The construction period ran from 2016 to 2023 and the operating period runs from 2023 to 2050. The total commitment for the service level payments and maintenance payments to be made during the operating period is based on current estimated ridership levels and inflation. The total commitment for the service level payments is \$933,894 and as at December 31, 2025, \$52,024 of operations costs have been recognized by the City. The remaining estimated commitment for the service level payments is \$881,870. The total commitment for the maintenance payments is \$279,263 and as at December 31, 2025, \$17,641 of operations costs have been recognized by the City. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

remaining estimated commitment for the maintenance payments is \$261,622. The City is also committed to pay for the P3 term debt payments over the operating period, which are estimated to be \$729,964 from 2026 to 2050. Additional details on this P3 agreement are provided in Note 14e.

The City entered into an agreement with Marigold Infrastructure Partners Limited Partnership for the design, build and finance of the Valley Line West LRT. The construction period is anticipated to run from 2021 to 2028. The total commitment for construction over the life of the contract is \$1,623,471. As at December 31, 2025, \$986,511 of construction costs have been recognized by the City, with an estimated remaining commitment of \$636,960.

The City entered into an agreement with Hyundai Rotem Company for the supply of low-floor light rail vehicles. The total commitment for this contract is \$280,250. As at December 31, 2025, \$105,551 of contract costs have been recognized by the City, with an estimated remaining commitment of \$174,699.

The City entered into an agreement with Capital Line Design-Build Ltd. as the Design-Build contractor for Phase 1 of the Capital Line South Extension project. Capital Line Design-Build Ltd. is a member of the Ledcor Group of Companies, with AECOM as their design partner. The project is anticipated to run from 2024 to 2029. The total commitment for this contract is \$1,011,946. As at December 31, 2025, \$251,694 of construction costs have been recognized by the City, with an estimated remaining commitment of \$760,252.

The City entered into a cost-sharing agreement with Station Lands Ltd. and Qualico Developments West Ltd. for the Green and Walkable catalyst project under the Capital City Downtown Community Revitalization Levy. The agreement includes funding for streetscape improvements and publicly accessible amenity spaces. As of December 31, 2025, the expenditure of \$10,600 for Phase 1 has been incurred. The remaining commitment for Phase 2 public amenity spaces is \$7,200.

The City entered into several agreements for the purchase of transit and emergency response vehicles to meet service requirements over the next three years. These include contracts for the purchase of buses totaling approximately \$36,827, fire pumpers totaling approximately \$9,669 and fire tankers totaling approximately \$5,339. As at December 31, 2025, the full amount remains outstanding for the buses and fire tankers, with \$7,511 of fire pumper costs incurred to date and an estimated remaining commitment of \$2,158.

To meet future site water demand and fire flow requirements, the City entered into a contract with PME Inc. to upgrade the Edmonton Waste Management Centre (EWMC) water distribution system. The agreement, expiring December 31, 2026, has a total commitment of \$10,497. As of December 31, 2025, no payments have been made against this contract.

In accordance with landfill gas management and safety requirements, an agreement is in place with PCL Construction Management Inc. for the construction of the LFG Control Building at the Clover Bar Landfill. The contract is anticipated to be completed by September 30, 2026, with a total commitment of \$4,744. As of December 31, 2025, expenditures of \$908 have been incurred, with an estimated remaining commitment of \$3,836.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

B. LEASE COMMITMENTS

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2026	\$ 29,632
2027	28,831
2028	25,945
2029	22,415
2030	20,860
Thereafter	128,306
	<hr/>
	\$ 255,989

27 LIABILITY FOR CONTAMINATED SITES

As of December 31, 2025, the liability for contaminated sites includes sites associated with former and current City operations, sites acquired through tax forfeiture and purchase, and former unofficial waste disposal sites from early in the City's history. The nature of contamination includes heavy metals, salts, biosolids and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, fuel handling, vehicle storage and maintenance, metal manufacturing, stockyards, incinerators, wastewater treatment plants and lagoons as well as fill of unknown origin deposited in unauthorized landfills.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites. The City has recognized a net increase in the liability of \$726 over the prior year, representing a total liability for the remediation of contaminated sites of \$21,109 (2024 - \$20,383). The liability is reported in Accounts payable and accrued liabilities (Note 10) in the Consolidated Statement of Financial Position.

28 CONTINGENT LIABILITIES

The City is the defendant in various lawsuits as at December 31, 2025. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. There may be contaminated sites that the City has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

29 CONTINGENT ASSETS

The City has outstanding legal claims against third parties of \$2,680 (2024 - \$2,400) for which the probability of settlement in favour of the City is likely. The eventual recovery of legal claims is subject to risk and uncertainties that may arise from the settlement process. Contingent assets are not recorded in the financial statements but are recognized once a settlement is reached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

30 CONTRACTUAL RIGHTS

Contractual rights are rights of the City to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

The following table summarizes the contractual rights related to government transfers and long-term leases:

	Government transfers	Future lease revenue	Total
2026	\$ 1,320,563	\$ 17,909	\$ 1,338,472
2027	715,305	16,406	731,711
2028	322,584	16,126	338,710
2029	95,331	15,936	111,267
2030	110,954	14,961	125,915
Thereafter		200,356	200,356
	\$ 2,564,737	\$ 281,694	\$ 2,846,431

The City enters into service agreements, partnership agreements and other developer agreements that result in either contributed assets or contributed funds that historically averaged annual revenues of \$158,843.

31 RELATED PARTY DISCLOSURE

A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control and influence. Related party transactions are disclosed if they occurred at a value other than or terms different from that which would have been arrived at if the parties were unrelated and the transaction has a material effect on the financial statements.

Related parties include key management personnel and close family members, through their relationship with the key management personnel, as they have the ability to influence and impact the City's policies, operations and strategic decisions.

Key management personnel of the City have been identified as the Mayor, City Councillors, City Manager and Deputy City Managers for the purpose of this reporting.

An external entity becomes a related party to the City when the key management personnel and/or their close family member have the ability to influence and impact the policies, operations and strategic decisions of the external entities.

For the year ended December 31, 2025, there were no material transactions to disclose that occurred between related parties at a value other than or terms different from that which would have been arrived at if the parties were unrelated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

32 SEGMENT DISCLOSURES

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS 2700 *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

A. TAX-SUPPORTED PROGRAMS

Tax-supported programs directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:

i. Transportation Services

Transportation Services includes bus, light rail transit, roadway and parking services.

ii. Protective Services

Protective Services is comprised of police, traffic safety, bylaw enforcement and fire rescue.

iii. Community Services

Community Services includes parks and recreation, community and family services, planning and corporate properties and public housing. Also included are the City of Edmonton Library Board, Explore Edmonton Corporation, Fort Edmonton Management Company, Edmonton Unlimited, the Non-Profit Housing Corporation, the Vehicle for Hire Commission and Edmonton Combative Sports Commission, which are managed by separate boards or commissions.

iv. Fleet Services

Fleet Services includes vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments, and external customers, including EPCOR. The area operates under a full cost recovery model by directly charging other City departments for the provision of fleet services.

v. Other Tax-Supported

Other Tax-Supported consists of corporate administration, general municipal services, and tax appeals and allowances. Revenues and expenses that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

B. WASTE SERVICES

Waste Services includes customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

C. LAND ENTERPRISE

Land Enterprise is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities, including the Blatchford Redevelopment Project. Municipal use property involves the acquisition of land for municipal purposes and the disposal of land deemed surplus to municipal needs. Land Enterprise is intended to be operated on a self-sustaining basis.

D. RENEWABLE ENERGY SYSTEMS UTILITY

The Renewable Energy Systems Utility comprises the Blatchford Renewable Energy Utility and Downtown District Energy Utility. Both of these City-owned utilities operate distinct District Energy Sharing Systems with the long-term vision of providing low-carbon heating and cooling services in Blatchford community and downtown Edmonton.

E. EPCOR

EPCOR is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 23 to these financial statements provides condensed financial information for EPCOR.

F. ED TEL ENDOWMENT FUND

Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

33 2025 BUDGET

The City prepared a multi-year 2023-2026 operating budget, which was presented and approved by Council in December 2022. The operating budget reflected in these financial statements is consistent with amounts approved by Council with passing Bylaw 21068 - 2025 Property Tax and Supplementary Property Tax on April 30, 2025, which incorporates the 2024 operating budget carry-forwards, and adjustments made in December 2024 and ratifies the 2025 operating budget.

The capital budget reflected in these financial statements is based on the capital budget originally approved by Council in December 2022, as part of the overall 2023-2026 capital budget, plus carry forward of unspent capital budget from previous years. Capital budget adjustments made as part of the spring and fall supplemental capital budget adjustment process are not reflected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025 (in thousands of dollars)

The budget is reported on an accrual basis, consistent with principles applied in the consolidated financial statements. Included in the table below are presentation and elimination adjustments required to comply with Canadian public sector accounting standards for inclusion in the Consolidated Statement of Operations and Accumulated Surplus.

	Operating Revenues	Operating Expenses	Capital Revenues
Budget approved by Council in December 2024	\$ 4,170,291	\$ 4,087,093	\$ 787,363
Supplemental budget adjustments	27,352	27,352	
Carry forward of prior year unspent budget	87,829	87,829	914,161
Amortization		767,942	
EPCOR net income	520,060		
Other controlled entities	17,516	18,436	
Consolidation adjustments	510	490	
Transfers from/to reserves	(279,561)	(574,168)	
Debt principal repayment		(255,317)	
Dividends from subsidiaries	(246,900)		
External entity recoverable debt servicing	(52,341)	(18,513)	
Local Improvement	(14,996)		14,996
Tax appeals and allowances	(18,739)	(18,740)	
Budget for financial statement purposes	\$ 4,211,021	\$ 4,122,404	\$ 1,716,520

34 SUBSEQUENT EVENTS

Fort Edmonton Management Company (FEMCO) is a non-profit organization incorporated to manage the historical park assembled by the City. A management agreement with the City gave FEMCO the exclusive right to use and manage the park. FEMCO is a fully controlled entity of the City and therefore is consolidated in these financial statements (Note 1a). On July 18, 2025, the City informed FEMCO of its decision not to renew the existing management agreement that was expiring on December 31, 2025. As a result, effective January 1, 2026, the City assumed all direct operation and management of the park and all assets, liabilities, responsibilities and obligations of FEMCO were transferred to the City. This transfer constitutes a restructuring transaction as defined by PS3430, *Restructuring Transactions*, and all assets and liabilities transferred were done so at their carrying amount. Schedule 3 of these financial statements provide the carrying value of all assets and liabilities of FEMCO as at December 31, 2025.

On February 23, 2026, the City of Edmonton entered into a revised Social Objectives Agreement (SOA) with Capital Power Corporation, which included several key terms. Capital Power has committed to two direct payments to the City of Edmonton totaling \$75,000 over the course of 2026 and 2027. Additionally, the agreement includes a 10-year commitment for Capital Power's Head Office or Canadian Head Office to remain in Edmonton, along with a defined guaranteed employee contingent. Finally, the agreement authorizes the assignment of a single non-dividend paying Special Limited Voting Share from EPCOR to Capital Power. The financial impact of the committed direct payments will be recognized in the City's future financial statements.

35 COMPARATIVE INFORMATION

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