



Consolidated Financial Statements

City of Leduc for the year ended
December 31, 2025

PROVINCE OF ALBERTA

City of Leduc
Consolidated Financial Statements
December 31, 2025



Management's Responsibility

To the Mayor and Council of City of Leduc:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

The Mayor and Council and Financial Audit Review Committee are composed entirely of Councillors who are neither management nor employees of the City. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils these responsibilities by reviewing the financial information prepared by administration and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the City's external auditors.

MNP LLP is appointed by the Mayor and Council of the City of Leduc to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

April 13, 2026



City Manager

To the Mayor and Council of the City of Leduc:

Opinion

We have audited the consolidated financial statements of City of Leduc and its subsidiaries (the "City"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations, remeasurement losses, change in net debt, cash flows and the related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Administration and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by administration.
- Conclude on the appropriateness of administration's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the City as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

Leduc, Alberta

April 13, 2026

MNP LLP

Chartered Professional Accountants

City of Leduc

Consolidated Statement of Operations

For the year ended December 31, 2025

	2025 <i>Budget</i> <i>(Note 20)</i>	2025	2024
Revenue			
Net municipal property taxes <i>(Schedule 3)</i>	64,512,000	64,831,468	60,497,786
Utility services	35,163,300	35,279,575	33,218,480
Sales, user charges and costs recovered	10,532,341	14,667,430	11,192,238
Government transfers <i>(Schedule 4)</i>	11,169,714	11,463,365	10,980,635
Contributions and levies	3,796,089	10,139,824	6,919,940
Interest and penalties	2,105,600	3,347,125	3,076,092
Rent revenue	2,891,496	3,063,343	2,813,843
Enforcement services	538,500	594,530	633,572
	130,709,040	143,386,660	129,332,586
Expenses			
Utility and public services	33,375,678	33,803,969	30,853,486
Administration	27,243,543	25,735,077	23,362,372
Protective services	23,048,377	24,163,230	21,802,096
Engineering	13,091,358	12,624,449	7,582,061
Recreation and community development	11,258,849	11,270,663	10,516,519
Facility services	7,145,731	6,819,581	8,412,008
Planning services	4,656,874	4,772,922	3,518,968
Family and community support services	2,024,092	2,014,069	1,708,980
Library	1,548,654	1,530,729	1,511,824
	123,393,156	122,734,689	109,268,314
Excess of revenue before capital revenue and expense	7,315,884	20,651,971	20,064,272
Capital revenue and expense			
Government transfers for capital <i>(Schedule 4)</i>	33,819,867	29,422,670	58,638,882
Contributed assets	-	70,693,878	25,866,089
Gain on sale of tangible capital assets	-	150,809	105,944
Capital contributions	-	(327,355)	663,494
Amortization of tangible capital assets <i>(Schedule 2)</i>	-	(30,354,394)	(28,819,375)
Capital transfer to Province of Alberta <i>(Note 18)</i>	-	(103,959,041)	-
	33,819,867	(34,373,433)	56,455,034
Excess (deficiency) of revenue over expenses	41,135,751	(13,721,462)	76,519,306
Accumulated operating surplus, beginning of year	1,015,703,519	1,015,703,514	939,184,208
Accumulated operating surplus, end of year	1,056,839,270	1,001,982,052	1,015,703,514

The accompanying notes are an integral part of these consolidated financial statements

City of Leduc
Consolidated Statement of Remeasurement Losses

For the year ended December 31, 2025

	2025	2024
Accumulated remeasurement losses, beginning of year	(2,116,718)	(4,228,517)
Unrealized gains attributable to:		
Investment	547,071	2,111,799
Accumulated remeasurement losses, end of year	(1,569,647)	(2,116,718)

The accompanying notes are an integral part of these consolidated financial statements

City of Leduc
Consolidated Statement of Change in Net Debt
For the year ended December 31, 2025

	2025 Budget (Note20)	2025	2024
Excess (deficiency) of revenue over expenses	41,135,751	(13,721,462)	76,519,306
Acquisition of tangible capital assets	(73,214,496)	(47,623,659)	(84,093,365)
Contributed tangible capital assets	-	(70,693,878)	(25,866,089)
Gain on disposal of tangible capital assets	-	(150,809)	(105,944)
Amortization of tangible capital assets	-	30,354,394	28,819,375
Capital transfer to Province of Alberta (Note 18)	-	103,959,041	-
Proceeds on disposal of tangible capital assets	-	871,154	347,027
Use of inventory for consumption	-	262,192	88,217
Use (acquisition) of prepaid expenses	-	(652,451)	24,378
Change in remeasurement losses for the year	-	547,071	2,111,799
Increase (decrease) in net debt	(32,078,745)	3,151,593	(2,155,296)
Net debt, beginning of year	(36,147,927)	(36,147,927)	(33,992,631)
Net debt, end of year	(68,226,672)	(32,996,334)	(36,147,927)

The accompanying notes are an integral part of these consolidated financial statements

City of Leduc
Consolidated Statement of Cash Flows
For the year ended December 31, 2025

	2025	2024
Operating activities		
Excess (deficiency) of revenue over expenses	(13,721,462)	76,519,306
Non-cash items		
Amortization of tangible capital assets	30,354,394	28,819,375
Accretion <i>(Note 8)</i>	32,409	31,465
(Gain) loss on disposal of capital assets	(150,809)	(105,944)
Capital transfer to Province of Alberta <i>(Note 18)</i>	103,959,041	-
Tangible capital assets received as contributions	(70,693,878)	(25,866,089)
	49,779,695	79,398,113
Net change in non-cash operating working capital balances		
Decrease (increase) in trade and other accounts receivable	7,266,326	(3,261,998)
Increase in property taxes receivable	(1,014,746)	(152,409)
(Increase) decrease in prepaid expenses	(652,451)	24,387
Use of inventory for consumption	262,192	88,217
Increase (decrease) in accounts payable and accrued liabilities	2,373,793	(3,448,189)
Decrease (increase) in deposits and deferred revenue	(1,602,823)	5,784,648
	56,411,986	78,432,769
Financing activities		
Proceeds from long-term debt <i>(Note 6)</i>	7,211,750	13,019,750
Repayment of long-term debt <i>(Note 6)</i>	(5,798,904)	(4,724,626)
	1,412,846	8,295,124
Capital activities		
Proceeds on disposal of tangible capital assets	871,154	347,027
Acquisition of tangible capital assets <i>(Schedule 2)</i>	(51,129,811)	(75,859,202)
	(50,258,657)	(75,512,175)
Investing activities		
Increase in investments	(11,826,801)	(1,478,623)
(Decrease) increase in cash and equivalents	(4,260,626)	9,737,095
Cash, beginning of year	20,702,744	10,965,649
Cash, end of year	16,442,118	20,702,744

The accompanying notes are an integral part of these consolidated financial statements

City of Leduc
Schedule 1 - Consolidated Schedule of Changes in Accumulated Surplus

For the year ended December 31, 2025

	<i>Unrestricted Surplus</i>	<i>Restricted Surplus (Note 10)</i>	<i>Equity in Tangible Capital Assets (Note 11)</i>	<i>Accumulated Remeasurement Losses</i>	<i>2025</i>	<i>2024</i>
Balance, beginning of year	6,548,065	44,799,666	964,355,783	(2,116,718)	1,013,586,796	934,955,691
(Deficiency) excess of revenue over expenses	(13,721,462)	-	-	-	(13,721,462)	76,519,306
Remeasurement gains (losses)	-	-	-	547,071	547,071	2,111,799
Unrestricted funds designated for future use	(39,683,498)	39,683,498	-	-	-	-
Restricted funds used for operations	5,020,280	(5,020,280)	-	-	-	-
Restricted funds used for tangible capital assets	-	(33,013,367)	33,013,367	-	-	-
Current year funds used for tangible capital assets	(14,610,291)	-	14,610,291	-	-	-
Contributed tangible capital assets	(70,693,878)	-	70,693,878	-	-	-
Disposal of tangible capital assets	720,345	-	(720,345)	-	-	-
Capital transfer to Province of Alberta	103,959,041	-	(103,959,041)	-	-	-
Amortization of tangible capital assets	30,354,394	-	(30,354,394)	-	-	-
Long-term debt used for tangible capital assets	6,528,000	-	(6,528,000)	-	-	-
Long-term debt repaid	(5,798,904)	-	5,798,904	-	-	-
Asset retirement obligation	32,409	-	(32,409)	-	-	-
Change in accumulated surplus	2,106,436	1,649,851	(17,477,749)	547,071	(13,174,391)	78,631,105
Balance, end of year	8,654,501	46,449,517	946,878,034	(1,569,647)	1,000,412,405	1,013,586,796

City of Leduc
Schedule 2 - Consolidated Schedule of Tangible Capital Assets
For the year ended December 31, 2025

	<i>Construction in progress</i>	<i>Land</i>	<i>Land Improvements</i>	<i>Buildings</i>	<i>Engineered Structures</i>	<i>Machinery & Equipment</i>	<i>Vehicles</i>	<i>2025</i>	<i>2024</i>
Cost									
Balance, beginning of year	102,039,670	145,621,393	40,855,939	168,363,897	1,019,293,998	29,182,560	18,440,999	1,523,798,456	1,416,138,764
Acquisition of tangible capital assets	-	16,435,000	-	-	54,258,878	-	-	70,693,878	48,692,125
Construction in progress	47,623,658	-	-	-	-	-	-	47,623,658	61,267,337
Disposal of tangible capital assets	-	(628,076)	-	-	-	(658,413)	(492,227)	(1,778,716)	(2,299,770)
Capital transfer to Province of Alberta	-	-	-	-	(103,959,041)	-	-	(103,959,041)	-
Transfer from construction in progress	(136,454,116)	450,000	686,492	2,741,630	125,725,082	4,474,337	2,376,575	-	-
Balance, end of year	13,209,212	161,878,317	41,542,431	171,105,527	1,095,318,917	32,998,484	20,325,347	1,536,378,235	1,523,798,456
Accumulated amortization									
Balance, beginning of year	-	-	19,017,066	56,215,092	374,681,951	15,468,349	10,211,650	475,594,108	448,833,421
Accumulated amortization on disposals	-	-	-	-	-	(573,949)	(484,423)	(1,058,372)	(2,058,688)
Amortization of tangible capital assets	-	-	1,761,427	3,885,754	20,892,825	2,340,693	1,473,695	30,354,394	28,819,375
Balance, end of year	-	-	20,778,493	60,100,846	395,574,776	17,235,093	11,200,922	504,890,130	475,594,108
Net book value of tangible capital assets	13,209,212	161,878,317	20,763,938	111,004,681	699,744,141	15,763,391	9,124,425	1,031,488,105	1,048,204,348
2024 net book value of tangible capital assets	102,039,670	145,621,393	21,838,873	112,148,805	644,612,047	13,714,211	8,229,349	1,048,204,348	

During the year, tangible capital assets were acquired at an aggregate cost of \$118,317,536 (2024 - \$109,959,462), of which \$70,693,878 (2024 - \$25,866,089) was acquired as contributed assets on a non-cash basis, \$7,043,459 (2024 - \$10,549,614) remains in accounts payable at year-end, \$nil (2024 - \$nil) in asset retirement obligations recognized during the year on a non-cash basis. The remaining \$51,129,811 (2024 - \$75,859,202) was acquired with cash. Total additions to tangible capital assets consists of acquisitions of \$70,693,878 (2024 - \$48,692,126) and the addition of \$47,623,658 (2024 - \$61,267,337) to construction in progress.

City of Leduc
Schedule 3 - Consolidated Schedule of Property Taxes Levied
For the year ended December 31, 2025

	<i>2025 Budget (Note 20)</i>	<i>2025</i>	<i>2024</i>
Taxation			
Property taxes	88,894,482	89,213,950	80,792,572
Requisitions			
Education	23,442,662	23,442,662	20,107,445
Leduc Foundation	939,820	939,820	187,341
	24,382,482	24,382,482	20,294,786
Net municipal property taxes	64,512,000	64,831,468	60,497,786

City of Leduc
Schedule 4 - Consolidated Schedule of Government Transfers

For the year ended December 31, 2025

	2025 Budget (Note 20)	2025	2024
Operating			
Federal	550,911	238,165	545,138
Provincial	6,752,203	7,321,765	6,588,892
Local	3,866,600	3,903,435	3,846,605
Total operating government transfers	11,169,714	11,463,365	10,980,635
Capital			
Federal	3,676,240	2,398,713	2,485,420
Provincial	29,729,636	26,840,314	54,817,964
Local	413,991	183,643	1,335,499
Total capital government transfers	33,819,867	29,422,670	58,638,883
Total government transfers	44,989,581	40,886,035	69,619,518

City of Leduc
Schedule 5 - Schedule of Consolidated Expenses by Object

For the year ended December 31, 2025

	2025 Budget (Note 20)	2025	2024
Consolidated expenses by object			
Salaries and wages	47,277,530	47,478,363	43,847,055
Contract services	32,248,678	32,680,581	25,412,339
Cost of utilities sold	12,187,000	12,313,138	11,317,647
Employee benefits	10,216,922	9,830,962	8,888,780
Materials and supplies	6,453,625	6,362,828	5,946,934
Utilities	4,136,720	3,982,874	4,074,900
Interest on long-term debt	3,457,618	3,149,602	2,854,354
Repairs and maintenance	1,918,000	2,177,007	1,998,336
Grants to organizations	1,954,199	1,807,335	1,881,008
Training and development	1,204,475	1,087,641	915,205
General services	1,624,930	1,022,408	1,312,024
Bank charges and interest	437,519	567,891	570,867
Telephone and communications	275,940	241,646	217,397
Accretion	-	32,409	31,465
	123,393,156	122,734,685	109,268,311

City of Leduc
Schedule 6 - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2025

	<i>Utility and public services</i>	<i>Administration</i>	<i>Engineering</i>	<i>Facility services</i>	<i>Protective services</i>
Revenue					
Contributed assets	43,761,201	16,435,000	10,497,677	-	-
Net municipal property taxes	-	64,831,468	-	-	-
Utility services	22,191,609	9,561,686	3,526,280	-	-
Government transfers - capital	460,981	-	26,284,594	856,778	1,415,000
Sales, user charges and costs recovered	2,211,622	520,374	1,069,200	7,729	1,496,253
Government transfers - operating	160,207	3,832,242	12,226	201,836	4,953,733
Contributions and levies	-	-	74,263	-	-
Interest and penalties	220,061	3,111,076	-	15,987	-
Rent revenue	3,860	-	-	865,467	-
Enforcement services	-	-	-	-	594,530
Gain (loss) on disposal of tangible capital assets	(49,361)	123,172	-	-	-
Capital contributions	7,565	(462,670)	40,000	-	-
	68,967,745	97,952,348	41,504,240	1,947,797	8,459,516
Expenses					
Salaries and wages	7,166,293	12,309,097	1,518,802	1,481,860	12,927,423
Contract services	5,924,270	5,327,252	9,528,730	1,094,458	8,001,002
Amortization of tangible capital assets	12,029,119	877,059	12,976,166	3,865,997	302,426
Cost of utilities sold	12,188,007	-	125,131	-	-
Employee benefits	1,372,974	3,514,231	310,396	299,920	2,060,076
Materials and supplies	2,719,161	783,120	96,458	399,845	739,170
Utilities	2,269,852	-	-	1,685,981	-
Interest on long-term debt	560,363	75,379	994,701	1,458,937	41,046
Repairs and maintenance	1,576,014	45,851	-	371,182	21,775
Grants to organizations	-	1,619,519	-	-	-
Training and development	13,725	612,795	50,231	27,398	179,804
General services	19,881	814,769	-	-	-
Bank charges and interest	(6,863)	387,830	-	-	168,386
Telephone and communications	292	212,826	-	-	24,548
Loss on disposal of tangible capital assets	21,246	840	-	-	-
Accretion	-	32,409	-	-	-
Capital transfer to Province of Alberta	-	-	103,959,041	-	-
	45,854,334	26,612,977	129,559,656	10,685,578	24,465,656
Excess (deficiency) of revenue over expense	23,113,411	71,339,371	(88,055,416)	(8,737,781)	(16,006,140)

City of Leduc
Schedule 6 - Consolidated Schedule of Segmented Disclosure
For the year ended December 31, 2025

	<i>Family and community support services</i>	<i>Recreation and community development</i>	<i>Planning services</i>	<i>Library</i>	2025
Revenue					
Contributed assets	-	-	-	-	70,693,878
Net municipal property taxes	-	-	-	-	64,831,468
Utility services	-	-	-	-	35,279,575
Government transfers - capital	-	16,116	389,201	-	29,422,670
Sales, user charges and costs recovered	10,429	3,464,164	4,700,224	1,187,437	14,667,432
Government transfers - operating	1,403,594	494,436	97,794	307,297	11,463,365
Contributions and levies	-	703,076	9,362,485	-	10,139,824
Interest and penalties	-	-	-	-	3,347,124
Rent revenue	-	2,192,151	-	1,866	3,063,344
Enforcement services	-	-	-	-	594,530
Gain (loss) on disposal of tangible capital assets	99,084	-	-	-	172,895
Capital contributions	-	87,751	-	-	(327,354)
	1,513,107	6,957,694	14,549,704	1,496,600	243,348,751
Expenses					
Salaries and wages	1,238,261	7,216,454	2,757,233	862,940	47,478,363
Contract services	121,386	1,088,583	1,280,897	314,005	32,680,583
Amortization of tangible capital assets	-	300,780	2,847	-	30,354,394
Cost of utilities sold	-	-	-	-	12,313,138
Employee benefits	246,596	1,327,765	531,681	167,323	9,830,962
Materials and supplies	310,263	1,023,419	118,352	173,040	6,362,828
Utilities	-	27,041	-	-	3,982,874
Interest on long-term debt	-	-	19,176	-	3,149,602
Repairs and maintenance	-	162,186	-	-	2,177,008
Grants to organizations	70,000	117,816	-	-	1,807,335
Training and development	25,447	110,358	60,672	7,211	1,087,641
General services	-	179,164	3,732	4,862	1,022,408
Bank charges and interest	932	17,607	-	-	567,892
Telephone and communications	1,184	270	1,178	1,348	241,646
Loss on disposal of tangible capital assets	-	-	-	-	22,086
Accretion	-	-	-	-	32,409
Capital transfer to Province of Alberta	-	-	-	-	103,959,041
	2,014,069	11,571,443	4,775,768	1,530,729	257,070,210
Excess (deficiency) of revenue over expense	(500,962)	(4,613,749)	9,773,936	(34,129)	(13,721,459)

1. Significant accounting policies

These consolidated financial statements of the City of Leduc (the "City") are the representations of administration, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue, expenses, remeasurement losses, and change in net debt and accumulated surplus of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources, including the Maclab Centre for the Performing Arts, the Leduc Public Library and Family and Community Support Services.

The schedule of property taxes levied also includes requisitions for education, health, social and other external organizations that are not part of the municipal reporting entity. Interdepartmental and organizational transactions and balances are eliminated.

The consolidated financial statements exclude trust assets that are administered for the benefit of external parties.

Basis of accounting

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

Measurement uncertainty (use of estimates)

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable and property taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of tangible capital assets. Accrued sick time for employees is based on historical utilization applied to the total sick bank with a maximum limit of 700 to 1008 hours per employee.

Liability for contaminated site

Expenditures that relate to on-going environmental and remediation programs are charged against excess (deficiency) of revenue over expenses as incurred. A liability for a contaminated site reflects administration's best estimate of the amount required to remediate the contaminated site. The best estimate of the liability is based upon assumptions and estimates related to the amount and timing of costs for future site remediation.

Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the consolidated financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in revenue over expenses in the years in which they become known.

1. **Significant accounting policies** *(Continued from previous page)*

Asset retirement obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the City to incur retirement costs in relation to a tangible capital asset (or component thereof), 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. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at December 31, 2025. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset (or component thereof). The asset retirement cost is amortized over the useful life of the related asset.

At each financial reporting date, the City reviews the carrying amount of the liability. The City recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset.

The City continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Revenue recognition

Government transfers

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

The City recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the City recognizes revenue as the liability is settled.

Tax revenue

The City recognizes taxes as assets and revenue when they meet the definition of an asset; are authorized by a legislature, council, or legislative convention; and the taxable event has occurred.

Tax revenue is initially measured at administration's best estimate of the amount resulting from the original taxable event in accordance with tax legislation. The related tax receivable is initially recognized at its realizable value at the date of acquisition. At each financial statement date, the City evaluates the tax receivable for collectability and records a valuation allowance to reflect the tax receivable at its net recoverable amount, if necessary.

Fines and penalties

Traffic fine revenue is recorded as cash is received, which is not materially different than recording revenue on an accrual basis.

Utility services

The City recognizes the provision of utility services as assets and revenue when they meet the definition of an asset and in the period the utility services are provided to the consumer.

Other revenue

The City accounts for all other revenue in the period the transactions or events giving rise to the revenue occurred.

1. **Significant accounting policies** *(Continued from previous page)*

Non-financial assets

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations.

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.

Contributed tangible assets are recorded at their fair value at the date of contribution and also are recorded as revenue.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation is recorded at the present value of the minimum lease payments. Assets under capital leases are amortized on the straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Amortization

One-half of the annual amortization is charged in the year of acquisition. No amortization is taken in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10-45
Buildings	5-50
Water systems	25-75
Wastewater systems	25-75
Other engineering structures	10-75
Machinery and equipment	4-30
Vehicles	5-17

Inventory for consumption

Inventories held for consumption are recorded at the lower of cost and replacement cost.

Prepaid expenses

Prepaid expenses include pre-payments on goods and services which will be utilized in the following fiscal year.

Investments

Investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at amortized cost.

Property tax requisition over-levy and under-levy

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

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

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

1. **Significant accounting policies** *(Continued from previous page)*

Segments

The City conducts its business through a number of reportable segments. These operating segments are established by senior administration to facilitate the achievement of the City's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

Pensions

The City participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Financial instruments

The City recognizes its financial instruments when the City becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the City may irrevocably elect to subsequently measure any financial instrument at fair value. The City has not made such an election during the year.

The City subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating excess (deficiency) of revenue over expenses. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Administration considers whether the investee has experienced continued losses for a period of years, recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurement of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Statement of remeasurement losses

By presenting remeasurement losses separately, changes in the carrying value of financial instruments arising from fair value measurement, unrealized foreign exchange gains (losses) and other comprehensive income arising from investments in government business entities are distinguished from revenues and expenses reported in the consolidated statement of operations. The consolidated statement of operations reports the extent to which revenues raised in the period were sufficient to meet the expenses incurred. Remeasurement losses do not affect this assessment as they are recognized in the consolidated statement of remeasurement losses. Taken together, the two statements account for changes in a City's net assets (liabilities) in the period.

Upon settlement, the cumulative gain (loss) is reclassified from the statement of remeasurement losses and recognized in the statement of operations. Interest and dividends attributable to all financial instruments are reported in the statement of operations.

City of Leduc
Notes to the Financial Statements
For the year ended December 31, 2025

2. Investments

	2025	2024
Investments - Fair value	56,941,124	44,567,252

The investments have yields from 1.47% to 5.30% (2024 - 1.47% to 8.00%) and mature in periods 2026 through 2035. In 2025 the cost of investments is \$58,510,771 (2024 - \$46,502,975).

3. Property taxes receivable

	2025	2024
Current taxes	2,506,663	1,596,824
Non-current taxes	430,286	325,378
	2,936,949	1,922,202

4. Employee benefit obligations

Employee benefit obligations are comprised of vacation, overtime and sick time that can be carried forward to future years. Employees have earned the vacation and overtime benefits and are entitled to these benefits within the next budgetary year. The sick time liability is accrued based on historical utilization of sick time. The balances included in accounts payable and accrued liabilities for 2025 total \$2,079,581 (2024 - \$1,983,684).

City of Leduc
Notes to the Financial Statements
For the year ended December 31, 2025

5. Deposits and deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	2024	Funding received	Funding utilized	2025
Planning	3,844,141	4,313,093	3,722,937	4,434,297
Water	508,873	369,231	373,848	504,256
Recreation	25,669	9,750	10,070	25,349
General government	1,700	7,750	9,050	400
Deposits	4,380,383	4,699,824	4,115,905	4,964,302
Housing Accelerator Fund (HAF)	-	1,974,989	389,201	1,585,788
Clean Energy Improvement Program (CEIP)	262,499	329,475	201,836	390,138
Police Support Grant	201,210	804,840	804,840	201,210
Other	199,363	209,779	267,596	141,546
Low Income Transit Program (LITP)	92,168	43,748	31,408	104,508
Local Government Fiscal Framework (LGFF)	3,297,836	5,395,325	8,605,740	87,421
Canada Community Building Fund (CCBF)	552,582	2,554,633	3,107,215	-
Deferred government transfers	4,605,658	11,312,789	13,407,836	2,510,611
Recreation memberships	446,350	2,910,283	2,892,211	464,422
Business licenses & permits	219,400	224,232	217,702	225,930
Other	203,903	45,572	161,869	87,606
Transit passes	6,455	154,630	154,630	6,455
Deferred revenue	876,108	3,334,717	3,426,412	784,413
	9,862,149	19,347,330	20,950,153	8,259,326

Deposits

Deposits include security deposits, utility deposits and other.

Deferred government transfers

The City's deferred government transfers include amounts received from various government funding programs which are restricted to eligible capital projects, as approved under the funding agreements.

Deferred revenue

The City's deferred revenue includes amounts received in advance for bus passes, business licenses, sponsorship, rent, Leduc Recreation Centre memberships, Maclab Centre tickets and other.

City of Leduc
Notes to the Financial Statements
For the year ended December 31, 2025

6. Long-term debt

	2025	2024
Tax-supported debentures	50,004,371	55,568,901
Off-site levy supported debentures	33,000,881	26,656,353
Clean energy improvement plan	2,051,250	1,367,500
Capital leases	332,120	383,021
	85,388,622	83,975,775

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	Principal	Interest	Total
2026	5,436,104	3,213,739	8,649,843
2027	5,649,922	2,999,661	8,649,583
2028	5,872,802	2,776,523	8,649,325
2029	6,105,142	2,543,928	8,649,070
2030	5,898,000	2,301,461	8,199,461
	28,961,970	13,835,312	42,797,282
To maturity	56,426,651	16,063,701	72,490,352

Debenture debt is repayable to the Province of Alberta and bears interest at rates ranging from 2.163% to 5.050% (2024 - 2.163% to 5.170%) per annum, and mature in periods 2026 through 2051. The average annual interest rate is 3.508% (2024 - 3.476%). Debenture debt is issued on the credit and security of the City at large.

Included in long-term debt is \$83,337,371 (2024 - \$82,608,275) utilized for the purchase of tangible capital assets.

7. Debt limits

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

	2025	2024
Total debt limit	214,815,172	195,153,039
Total debt	83,337,371	82,608,275
<hr/>		
Amount of debt limit unused	131,477,801	112,544,764
<hr/>		
Service on debt limit	35,802,529	32,525,506
Service on debt	8,556,604	8,445,027
<hr/>		
Amount of debt servicing limit unused	27,245,925	24,080,479

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be a financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the City. Rather, the consolidated financial statements must be interpreted as a whole.

8. Asset retirement obligations

The City recognized a liability for the asset retirement obligation and a corresponding amount has been capitalized as an asset retirement cost and added to the carrying value of \$nil (2024 - \$nil). The asset retirement cost is amortized on a straight-line basis over the useful life of the related tangible capital asset.

The City estimated the amount of the liability using a discounted cash flow method. The significant assumptions used to determine the best estimate of the liability included an estimate of the estimated useful life of the asset, inflation rate of 3.0% and the City's credit-adjusted risk-free rate of 4.527%.

	2025	2024
Balance, beginning of year	1,240,293	1,208,828
Accretion	32,409	31,465
<hr/>		
Balance, end of year	1,272,702	1,240,293

9. Leduc transit joint venture agreement

In 2014, the City of Leduc entered into the "Leduc Transit Joint Venture Agreement" with Leduc County in order to secure grant funding to develop and operate an inter-municipal transit service (the "Project") between the County, the City of Leduc and the City of Edmonton operated under the name "Leduc Transit". The "Venture Property" under this agreement includes: (i) the buses for the Project; (ii) the website for the Project; and (iii) the brand "Leduc Transit".

The "proportionate interest" in the Venture Property is set forth in the agreement as follows:

<u>Party</u>	<u>Proportionate Interest</u>
City of Leduc	65%
Leduc County	35%

Each party's "proportionate share" in revenue earned by the Project, and each party's share of costs, expenses and liabilities are in the same proportion as each party's "proportionate interest". The administration of the joint venture is managed by the City of Leduc.

The grant funding was received by the City and was used to secure the Venture Property and the City holds the Venture Property as bare trustee for the joint venture.

Based on each party's proportionate interest in the Project the City of Leduc has recorded 65% of the total cost of the transit buses as a tangible capital asset and 65% of the annual amortization of the buses in the City's consolidated financial statements. A financial summary of 100% of the financial position and operations of the Joint Venture is as follows:

	2025	2024
Statement of Financial Position		
Buses - costs	3,749,125	3,105,186
Buses - accumulated amortization	(2,429,510)	(2,688,310)
	1,319,615	416,876
Statement of Operations		
Sales and user charges	444,693	393,051
Transfer from City of Leduc	2,237,677	1,699,529
Transfer from Leduc County	1,204,903	949,236
	3,887,273	3,041,816
Operating expense	(2,887,638)	(2,602,709)
Amortization of tangible capital assets	(96,895)	(155,535)
	(2,984,533)	(2,758,244)
Excess of revenues over expenses	902,740	283,572
Accumulated surplus, beginning of year	416,876	133,304
Accumulated surplus, end of year	1,319,616	416,876
Statement of Net Debt		
Excess of revenues over expenses	902,740	283,572
Acquisition of tangible capital assets	(999,634)	(439,107)
Amortization of tangible capital assets	96,894	155,535
Net debt, end of year	-	-

City of Leduc
Notes to the Financial Statements
For the year ended December 31, 2025

10. Restricted surplus

Surplus restricted for operating and capital activities changed as follows:

	2024	Increases	Decreases	2025
Restricted operating surplus				
Operations	10,419,540	9,076,937	(5,020,281)	14,476,196
Restricted capital surplus				
Operations	25,769,736	19,268,754	(23,699,880)	21,338,611
Community services	320,050	702,433	(39,193)	983,290
General government	969,381	575,168	(183,692)	1,360,854
Library	1,060,797	78,415	(49,129)	1,090,083
Downtown business association	85,307	5,100	-	90,407
	28,205,271	20,629,870	(23,971,894)	24,863,245
Restricted off-site levy reserves				
Transportation	3,411,244	6,175,425	(6,086,022)	3,500,647
Water	2,615,266	1,117,524	(370,067)	3,362,723
Sanitary	-	1,663,519	(1,663,519)	-
Fire	148,345	132,369	(34,009)	246,705
	6,174,855	9,088,837	(8,153,617)	7,110,075
	44,799,666	38,795,644	(37,145,792)	46,449,516

The City has restricted certain amounts of the accumulated surplus in order to fund future operations. This restricted surplus is not fully funded in cash as this would tie up too much of the operational cash needed to run the day to day operations of the City. At this time the City is up fronting the sanitary offsite levy reserve in the amount of \$887,856 (2024 - \$2,106,458). The reserves have been supported by the contingency reserve, which is included in restricted operating surplus above.

11. Equity in tangible capital assets

	2025	2024
Tangible capital assets (<i>Schedule 2</i>)	1,536,378,236	1,523,798,456
Accumulated amortization (<i>Schedule 2</i>)	(504,890,130)	(475,594,108)
Long-term debt (<i>Note 7</i>)	(83,337,370)	(82,608,275)
Asset retirement obligations (<i>Note 8</i>)	(1,272,702)	(1,240,293)
	946,878,034	964,355,780

12. Salary and benefits disclosure

Disclosure of salaries and benefits for elected municipal officials, the city manager and designated officers as required by Alberta Regulation 313/2000 is as follows:

	<i>Salary</i>	<i>Benefits & allowances</i>	<i>2025</i>	<i>2024</i>
R. Young - Mayor	86,777	10,351	97,128	110,414
L. Hansen - Councillor/Mayor	57,591	9,580	67,171	53,191
L. Tillack - Councillor	47,515	11,988	59,503	57,037
W. Hamilton - Councillor	47,515	11,988	59,503	57,037
R. Pollard - Councillor	39,864	10,378	50,242	57,037
G. Finstad - Councillor	39,864	8,005	47,869	54,496
B. Beckett - Councillor	39,864	4,071	43,935	50,621
J. Spinks - Councillor	8,561	2,323	10,884	-
B. Baynes - Councillor	8,561	2,323	10,884	-
R. Miller - Councillor	8,345	2,310	10,655	-
S. Raymond - Councillor	8,345	2,310	10,655	-
D. Prohar - City Manager	288,148	41,976	330,124	320,149

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

Benefits and allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long-term disability plans.

City of Leduc
Notes to the Financial Statements
For the year ended December 31, 2025

13. Emergency health services

	2025 Budget (Note 20)	2025	2024
Revenue			
Emergency health services contract	3,883,670	3,894,170	3,522,280
Patient billing	885,000	1,037,935	909,798
	4,768,670	4,932,105	4,432,078
Expenses			
Salaries	3,921,701	5,098,629	4,853,043
Business expenses	316,088	246,489	386,003
Consumable supply costs	101,212	225,161	201,742
Vehicle operating expenses	109,061	139,724	100,127
Capital	218,599	80,140	249,489
Facility expenses	43,855	47,884	112,019
Insurance	29,597	39,020	11,113
Office expenses and travel	28,557	28,005	28,774
	4,768,670	5,905,052	5,942,310
Deficiency of revenue over expenses	-	(972,947)	(1,510,232)

As required by Emergency Health Services (EHS) as part of the provincial funding and reporting requirements for Emergency Medical Services (EMS), segmented financial information has been prepared for the EMS program.

The schedules present the EMS program's financial activity for the reporting period in the format required by EMS and include the approved annual budget and actual revenues and expenditures incurred. Comparative information for the prior year has also been provided.

14. Local authorities pension plan

Employees of the City of Leduc participate in the Local Authorities Pension Plan ("LAPP"), which is one of the plans covered by the *Alberta Public Sector Pension Plans Act*. The LAPP serves approximately 316,938 people and 451 employers. The LAPP is financed by employer and employee contributions and by investment earnings of the LAPP Fund.

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

The City of Leduc is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 11.65% on pensionable earnings above this amount. Employees of the City of Leduc are required to make current service contributions of 7.45% of pensionable salary up to the year's maximum pensionable salary and 10.65% on pensionable salary above this amount.

The current service contributions by the City of Leduc to the LAPP in 2025 were \$3,472,703 (2024 - \$3,205,382). Total current service contributions by the employees of the City of Leduc to the Local Authorities Pension Plan in 2025 were \$3,127,161 (2024 - \$2,881,545).

At December 31, 2024, the date of the most recent actuarial valuation, the LAPP disclosed an actuarial surplus of \$19,557,000,000 (2023 - \$15,057,000,000).

15. Supplementary retirement plans

APEX

The APEX supplementary pension plan, an Alberta Municipalities ("ABmunis") sponsored defined benefit pension plan covered under the provisions of the *Alberta Employment Pension Plans Act*, commenced in 2005 and provides supplementary pension plan benefits to a prescribed class of employees. The plan supplements the Local Authorities Pension Plan.

The City of Leduc is required to make current service contributions to APEX of 2.96% of the employment income. Employees of the City of Leduc are required to make current service contributions of 2.42% of employment income.

The current service contributions by the City of Leduc to APEX in 2025 were \$71,133 (2024 - \$68,309). Total current service contributions by the employee of the City of Leduc to APEX for 2025 were \$58,157 (2024 - \$55,848).

The cost of post retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and administration's best estimate of salary and benefit escalation and retirement ages of employees. The costs of post retirement benefits are fully funded.

MuniSERP

In 2004, the City of Leduc joined the MuniSERP (formally APEX Plus) supplemental employee retirement plan, a plan sponsored by ABmunis. MuniSERP is a voluntary, non-contributory plan that provides benefits to a prescribed class of employees (9 beneficiaries in 2025 and 8 in 2024). Included in accounts payable and accrued liabilities is \$132,666 (2024 - \$132,666) held by the City on behalf of the beneficiaries. The actuarial valuation of the plan for service accrued to December 31, 2025 is estimated to be \$143,537 (2024 - \$195,567).

16. Contingencies

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

In the normal course of business there may be pending claims by and against the City. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of administration, based on the advice and information provided by its legal counsel, final determination of these litigations will not materially affect the City's financial position or results of operations.

17. Commitments

The City has entered into commitments to provide the community with policing services and to obtain new enterprise resource planning systems. The commitments over the next five years are as follows:

2026	\$8,470,358
2027	\$8,574,498
2028	\$8,849,219
2029	\$9,128,023
2030	\$9,487,546

Capital commitments are not reflected in the consolidated financial statements. These capital commitments were included in the City's capital budget and will be funded from government transfers for capital, reserves and debt in future years.

18. Capital transfer to Province of Alberta

The 65th Avenue interchange was constructed by the City and was substantially complete and in use as at December 31, 2025. In accordance with the funding agreement with the Province of Alberta, the related tangible capital assets were derecognized from the City's consolidated financial statements.

A transfer of \$103,959,041 was recorded which represents the net book value of the transferred assets on the date of the transfer and does not reflect an operating loss or a cash outflow during the year. The transfer was recorded as a government transfer rather than a sale transaction.

This transaction had no impact on the City's cash position and does not affect the continued public use of the interchange at year-end.

19. Financial instruments

The City as part of its operations carries a number of financial instruments. It is the administration's opinion that the City is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Liquidity risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The City enters into transactions to purchase goods and services on credit; borrow funds from financial institutions or other creditors; lease office equipment from various creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the City's future net cash flows for the possibility of negative net cash flow.

Contractual maturities of long-term debt and capital leases are disclosed in Note 6.

The City manages the liquidity risk resulting from its accounts payable, long-term debt, and capital leases by investing in liquid assets.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

Risk management

The City manages its credit risk by performing regular assessments of its ratepayers and provides allowances for potentially uncollectible accounts receivable. The City does not have a significant exposure to any individual customer.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The City is exposed to interest rate risk with respect to long term debt and investments quoted in active markets.

Interest rate risk sensitivity analysis

A 1% change in interest rates relating to investments could change interest income by approximately \$569,412.

A 1% change in interest rates relating to long-term debt could change interest expense by approximately \$853,886.

19. Financial instruments *(Continued from previous page)*

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The City's investments in publicly-traded fixed income instruments exposes the City to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

20. Budget information

The disclosed budget information has been approved by Council. The City does not budget for amortization. Included in the actual expenses on the consolidated statement of operations is amortization of \$30,354,394 (2024 - \$28,819,375).

Included in the disclosed budget on the consolidated statement of operations is \$11,527,328 (2024 - \$6,606,897) in non-capital expenses that were approved by Council as part of the capital budget. These expense have been reclassified from the budget for the acquisition of tangible capital assets on the consolidated statement of change in net debt, resulting in a corresponding reduction in the budget presented.

21. Guarantees

As part of the land transfer and lease agreement between the City of Leduc and the Leduc Golf and Country Club, the City has guaranteed credit facilities held by the Leduc Golf and Country Club for not more than \$550,000. The guarantee has no set termination date.

22. Segments

The City of Leduc provides a range of services to its ratepayers. For each reported segment, the revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to Schedule 6 - Schedule of Consolidated Segmented Disclosure.

23. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.