

CITY OF SPRUCE GROVE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Spruce Grove

Opinion

We have audited the accompanying consolidated financial statements of the City of Spruce Grove (the "City"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, changes in net debt, and cash flows 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, remeasurement gains and losses, changes in net debt, and its 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 *Auditors' 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will

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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 judgement 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 and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the City or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
April 20, 2026

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the City of Spruce Grove (the "City") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include amounts that are based on the best estimates and judgements of management. Management has determined such amounts on a reasonable basis to ensure that the consolidated financial statements are presented fairly, in all material aspects.

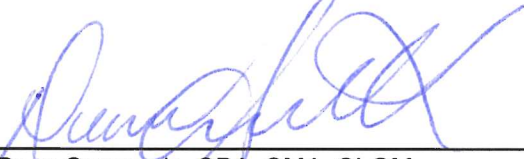
Management maintains systems of accounting and administrative controls to provide reasonable assurance that the transactions are appropriately authorized, accurately recorded, that assets are properly accounted for and safeguarded and that the consolidated financial statements reliably report the City's operating and financial results.

City Council has approved the information contained in the consolidated financial statements.

Metrix Group LLP has been appointed by City Council to provide an independent audit opinion on the consolidated financial statements.



Mr. Zeeshan Hasan, CPA
General Manager of Corporate Services and Chief Financial Officer



Dean Screpnek, CPA, CMA, CLGM
City Manager

April 20, 2026

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2025
(in thousands of dollars)

		<u>2025</u>	<u>2024</u> (Restated) (Note 33)
Financial Assets			
Cash		\$ 21,152	\$ 25,869
Accounts Receivable	Note 2	20,563	17,303
Debt Recoverable	Note 3	2,692	2,783
Investments	Note 4	47,834	31,713
Land Held for Resale	Note 5	<u>478</u>	<u>934</u>
		<u>92,719</u>	<u>78,602</u>
Liabilities			
Bank Indebtedness	Note 6	-	3,284
Accounts Payable and Accrued Liabilities	Note 7	21,459	29,496
Deferred Revenue	Note 8	10,408	9,211
Liability for Contaminated Sites	Note 9	237	897
Asset Retirement Obligations	Note 10	570	538
Long-Term Debt	Note 12	<u>97,350</u>	<u>80,267</u>
		<u>130,024</u>	<u>123,693</u>
Net Debt		<u>(37,305)</u>	<u>(45,091)</u>
Non-Financial Assets			
Inventory and Prepaid Expenses		2,634	1,977
Tangible Capital Assets	Schedule 6, 7	<u>723,076</u>	<u>689,378</u>
		<u>725,710</u>	<u>691,355</u>
Accumulated Surplus	Note 14	\$ <u>688,405</u>	\$ <u>646,264</u>
Accumulated Surplus consists of:			
Accumulated Surplus from Operations		689,642	649,148
Accumulated Remeasurement Losses		<u>(1,237)</u>	<u>(2,884)</u>
		\$ <u>688,405</u>	\$ <u>646,264</u>

CONTRACTED RIGHTS Note 25
CONTRACTUAL OBLIGATIONS Note 26
CONTINGENCIES Note 27

ON BEHALF OF THE COUNCIL:



MAYOR



COUNCILLOR

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

CITY OF SPRUCE GROVE

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For The Year Ended December 31, 2025

(in thousands of dollars)

		<u>2025</u> (Budget) (Note 30)	<u>2025</u> (Actual)	<u>2024</u> (Actual) (Restated) (Note 33)
Revenue				
Property Taxes	Schedule 1	\$ 58,794	\$ 58,871	\$ 54,315
Sales and User Fees		36,172	38,532	34,079
Franchise Fees	Note 29	8,800	8,693	8,613
Government Transfers - Operating	Schedule 2	4,472	4,954	4,795
Licenses and Permits		2,534	4,177	3,093
Other		1,497	3,897	3,024
Sales to Other Governments		3,611	3,746	4,279
Rentals		3,278	3,434	3,095
Investment Income		1,124	1,844	1,684
Penalties		823	932	867
Fines		255	478	698
		<u>121,360</u>	<u>129,558</u>	<u>118,542</u>
Expenses				
Transportation and Roadway Services		34,794	35,092	32,253
Utilities		27,587	27,525	25,890
Protective Services		23,928	22,291	22,118
Community Services		20,473	21,743	17,062
General Government		22,288	20,592	18,209
Development Services		4,723	4,584	4,263
		<u>133,793</u>	<u>131,827</u>	<u>119,795</u>
Annual Deficit before the Undernoted		<u>(12,433)</u>	<u>(2,269)</u>	<u>(1,253)</u>
Contributed Tangible Capital Assets	Schedule 6	13,688	21,326	15,370
Government Transfers - Capital	Schedule 2	15,475	12,117	10,884
Developer Contributions And Levies		4,665	8,974	6,073
Gain / (Loss) on Disposal of Tangible Capital Assets		-	346	(1,054)
		<u>33,828</u>	<u>42,763</u>	<u>31,273</u>
Annual Surplus		21,395	40,494	30,020
Accumulated Surplus, Opening as Previously Stated		649,148	651,560	619,128
Restatement	Note 33	-	(2,412)	-
Accumulated Surplus, Opening as Restated		<u>649,148</u>	<u>649,148</u>	<u>619,128</u>
Accumulated Surplus, Closing		<u>\$ 670,543</u>	<u>\$ 689,642</u>	<u>\$ 649,148</u>

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT

For The Year Ended December 31, 2025

(in thousands of dollars)

	<u>2025</u> (Budget) (Note 30)	<u>2025</u> (Actual)	<u>2024</u> (Restated) (Note 33)
Annual Surplus	\$ 21,395	\$ 40,494	\$ 30,020
Inventory and Prepaid Expenses			
Acquisition	-	(2,634)	(1,977)
Consumption	-	1,977	1,490
	<u>-</u>	<u>1,977</u>	<u>1,490</u>
Change in Inventory and Prepaid Expenses	-	(657)	(487)
Tangible Capital Assets			
Contributed	(13,688)	(21,855)	(15,370)
Purchased	(50,742)	(35,540)	(61,469)
Proceeds on Disposal	-	808	338
(Gain) Loss on Disposal	-	(346)	1,054
Tangible Capital Assets transferred to			
Land Held for Sale	-	(399)	10
Amortization	22,853	23,634	20,186
	<u>(41,577)</u>	<u>(33,698)</u>	<u>(55,251)</u>
Other			
Change in Accumulated Remeasurement Loss	-	1,647	(270)
	<u>-</u>	<u>1,647</u>	<u>(270)</u>
Change in Net Debt	(20,182)	7,786	(25,988)
Net Debt, Opening	<u>(45,091)</u>	<u>(45,091)</u>	<u>(19,103)</u>
Net Debt, Closing	\$ <u>(65,273)</u>	\$ <u>(37,305)</u>	\$ <u>(45,091)</u>

CITY OF SPRUCE GROVE**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

For The Year Ended December 31, 2025

(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Accumulated remeasurement losses, Opening	\$ (2,884)	\$ (2,614)
Unrealized gain(loss) from adoption of PS 3450:		
Amounts reclassified to consolidated statement of operations:		
Investments designated at fair value.	202	353
Unrealized gain (loss) attributable to:		
Investments designated at fair value	147	(202)
Financial contracts	<u>1,298</u>	<u>(421)</u>
Net change for the year	<u>1,647</u>	<u>(270)</u>
Accumulated remeasurement losses, Closing	\$ <u>(1,237)</u>	\$ <u>(2,884)</u>

CITY OF SPRUCE GROVE
CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2025

(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Cash Provided by (Used For):		
Operating Activities		
Annual Surplus	\$ 40,494	\$ 30,020
Items not involving cash:		
Amortization of Tangible Capital Assets	23,634	20,186
Loss (Gain) on Disposal of Tangible Capital Assets	(346)	1,054
Contributed Tangible Capital Assets	(21,326)	(15,370)
Asset Retirement Obligation Accretion	32	30
Change in non-cash working capital balances:		
Decrease / (Increase) in Accounts Receivable	(3,352)	(1,675)
Decrease / (Increase) in Debt Recoverable	91	(2,783)
Decrease / (Increase) in Inventory and Prepaid Expenses	(657)	(487)
Decrease / (Increase) in Land Held for Resale	456	1,262
Increase / (Decrease) in Accounts Payable and Accrued Liabilities	(6,647)	870
Increase / (Decrease) in Deferred Revenue	1,197	(3,509)
Decrease in Liability for Contaminated Sites	(660)	(74)
	<u>32,916</u>	<u>29,524</u>
Capital Activities		
Acquisition of Tangible Capital Assets	(36,069)	(61,469)
Proceeds on Disposal of Tangible Capital Assets	808	338
Transfer of Land Held for Sale	(399)	10
Asset Retirement Obligations Settled	-	(23)
	<u>(35,660)</u>	<u>(61,144)</u>
Investing Activities		
Purchased Investments	(26,058)	(17,207)
Proceeds on Disposal of Investments	10,286	15,641
	<u>(15,772)</u>	<u>(1,566)</u>
Financing Activities		
Bank Indebtedness Issued	-	3,284
Bank Indebtness Repaid	(3,284)	-
Long-Term Debt Issued	21,956	44,109
Long-Term Debt Repaid	(4,873)	(3,099)
	<u>13,799</u>	<u>44,294</u>
Increase (Decrease) in Cash and Cash Equivalent s	(4,717)	11,108
Cash, Opening	<u>25,869</u>	<u>14,761</u>
Cash, Closing	\$ <u>21,152</u>	\$ <u>25,869</u>

CITY OF SPRUCE GROVE
SCHEDULE 1 - PROPERTY TAXES

For The Year Ended December 31, 2025

(In thousands of dollars)

	<u>2025</u> (Budget) (Note 30)	<u>2025</u> (Actual)	<u>2024</u> (Actual)
Property Taxes			
Real property taxes	\$ 61,589	\$ 61,617	\$ 56,184
Non-Residential			
Commercial	15,292	15,270	13,950
Industrial	3,874	3,852	3,469
Linear	613	620	546
Farmland	<u>15</u>	<u>14</u>	<u>10</u>
	<u>81,383</u>	<u>81,373</u>	<u>74,159</u>
Less Requisitions			
Alberta Education	18,896	18,901	16,444
Evergreen Catholic Schools	2,828	2,823	2,623
Meridian Foundation	861	774	773
Designated Industrial Property	<u>4</u>	<u>4</u>	<u>4</u>
	<u>22,589</u>	<u>22,502</u>	<u>19,844</u>
	<u>\$ 58,794</u>	<u>\$ 58,871</u>	<u>\$ 54,315</u>

CITY OF SPRUCE GROVE
SCHEDULE 2 - GOVERNMENT TRANSFERS
For The Year Ended December 31, 2025
(In thousands of dollars)

	<u>2025</u> (Budget) (Note 30)	<u>2025</u> (Actual)	<u>2024</u> (Actual)
Government Transfers - Capital			
Local Government Fiscal Framework	\$ 6,694	\$ 6,042	\$ 405
Canada Community Building Fund	4,809	4,185	692
Other	2,730	1,141	1,171
Municipal Sustainability Initiative	1,242	749	8,582
GreenTrip	-	-	34
	<u>15,475</u>	<u>12,117</u>	<u>10,884</u>
Government Transfers - Operating			
Other	2,394	2,831	2,521
Family and Community Support Services	858	858	1,009
RCMP Policing	701	746	746
Local Government Fiscal Framework	519	519	519
	<u>4,472</u>	<u>4,954</u>	<u>4,795</u>
	<u>\$ 19,947</u>	<u>\$ 17,071</u>	<u>\$ 15,679</u>

CITY OF SPRUCE GROVE
SCHEDULE 3 - EXPENSES BY DEPARTMENT

For The Year Ended December 31, 2025

(In thousands of dollars)

	<u>2025</u> (Budget) (Note 30)	<u>2025</u> (Actual)	<u>2024</u> (Actual)
General Government			
City Clerk	\$ 1,038	\$ 947	\$ 739
City Manager	782	719	778
Corporate Communications	1,522	1,259	1,171
Corporate Services Administration	270	265	178
Council	1,001	947	809
Finance	5,073	5,422	3,131
Human Resources	2,709	2,400	2,827
Information Systems	6,485	5,901	5,668
Integrated Planning And Strategic Services	2,050	1,523	1,624
Policy	993	865	945
Strategy & Communication	365	344	339
	<u>22,288</u>	<u>20,592</u>	<u>18,209</u>
Protective Services			
Fire	12,474	12,117	11,942
Bylaw Enforcement	1,922	1,886	1,381
Safe City	-	-	833
Police Services	9,532	8,288	7,962
	<u>23,928</u>	<u>22,291</u>	<u>22,118</u>
Transportation and Roadway Services			
Engineering	2,233	2,510	2,492
Facilities and Fleet Management	6,592	6,731	6,511
Planning and Infrastructure Administration	363	362	449
Public Works	21,061	21,001	19,172
Environment and Transit	4,545	4,488	3,629
	<u>34,794</u>	<u>35,092</u>	<u>32,253</u>
Utilities			
Stormwater	3,276	3,454	2,930
Wastewater	3,518	3,477	3,250
Sanitary Sewer	8,275	8,360	7,085
Water	12,518	12,234	12,625
	<u>27,587</u>	<u>27,525</u>	<u>25,890</u>
Community Services			
Arena/Sports Park	4,414	5,037	3,068
Community and Protective Services Administration	286	393	609
Culture	69	78	116
Family and Community Support Services	3,014	2,838	2,638
Leisure Centre	4,731	5,453	5,156
Library	2,278	2,289	2,130
Recreation	3,232	3,139	2,772
Civic Centre	2,449	2,516	573
	<u>20,473</u>	<u>21,743</u>	<u>17,062</u>
Development Services			
Economic Business Development	1,274	1,246	1,078
Planning and Development	3,449	3,338	3,185
	<u>4,723</u>	<u>4,584</u>	<u>4,263</u>
	<u>\$ 133,793</u>	<u>\$ 131,827</u>	<u>\$ 119,795</u>

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

CITY OF SPRUCE GROVE
SCHEDULE 4 - SEGMENTED DISCLOSURES

For The Year Ended December 31, 2025

(In thousands of dollars)

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation & Roadway Services</u>	<u>Utilities</u>	<u>Community Services</u>	<u>Development Services</u>	<u>2025 Total</u>	<u>2025 Budget</u>
Revenue								
Property Taxes	\$ 58,871	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,871	\$ 58,794
Sales and User Fees	214	1,226	1,409	31,929	2,856	898	38,532	36,172
Franchise Fees	8,693	-	-	-	-	-	8,693	8,800
Government Transfer - Operating	177	808	1,009	1	2,440	519	4,954	4,472
Sales to Other Governments	-	3,746	-	-	-	-	3,746	3,611
Rentals	-	737	99	-	2,519	79	3,434	3,278
Licenses and Permits	-	202	210	-	-	3,765	4,177	2,534
Others	1,039	-	552	492	668	1,146	3,897	1,497
Investments	1,711	-	5	-	58	70	1,844	1,124
Penalties	772	-	14	146	-	-	932	823
Fines	-	478	-	-	-	-	478	255
	<u>71,477</u>	<u>7,197</u>	<u>3,298</u>	<u>32,568</u>	<u>8,541</u>	<u>6,477</u>	<u>129,558</u>	<u>121,360</u>
Expenses								
Salaries, Wages and Benefits	12,080	11,580	9,309	2,558	10,893	3,029	49,449	50,392
Purchases from Other Governments	-	7,604	2,080	12,943	-	-	22,627	23,428
Contracted and General Services	5,253	1,052	8,153	4,326	3,230	1,235	23,249	24,107
Amortization	642	1,148	11,411	6,547	3,878	8	23,634	22,853
Materials, Goods & Supplies	78	896	3,865	645	2,456	12	7,952	8,109
Interest on Long-Term Debt	2,072	-	258	503	813	-	3,646	3,730
Other	359	-	-	2	52	-	413	481
Transfers	-	-	-	-	393	148	541	518
Bank Charges	124	-	-	-	7	153	284	174
Accretion	(16)	11	16	1	21	(1)	32	1
	<u>20,592</u>	<u>22,291</u>	<u>35,092</u>	<u>27,525</u>	<u>21,743</u>	<u>4,584</u>	<u>131,827</u>	<u>133,793</u>
Annual Surplus (Deficit) before Undernoted	50,885	(15,094)	(31,794)	5,043	(13,202)	1,893	(2,269)	(12,433)
Other Income								
Contributed TCA	-	-	1,419	10,376	554	8,977	21,326	13,688
Government Transfers - Capital	-	85	7,368	410	4,254	-	12,117	15,475
Developer Contribution and Levies	-	-	5,603	1,562	1,809	-	8,974	4,665
Gain (Loss) on Disposal of Tangible Capital Assets	(2)	23	191	134	-	-	346	-
	<u>(2)</u>	<u>108</u>	<u>14,581</u>	<u>12,482</u>	<u>6,617</u>	<u>8,977</u>	<u>42,763</u>	<u>33,828</u>
Annual Surplus (Deficit)	<u>\$ 50,883</u>	<u>\$ (14,986)</u>	<u>\$ (17,213)</u>	<u>\$ 17,525</u>	<u>\$ (6,585)</u>	<u>\$ 10,870</u>	<u>\$ 40,494</u>	<u>\$ 21,395</u>

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

CITY OF SPRUCE GROVE
SCHEDULE 5 - SEGMENTED DISCLOSURES

For The Year Ended December 31, 2024

(In thousands of dollars)

	<u>General Government</u>	<u>Protective Services</u>	<u>Transportation & Roadway Services</u>	<u>Utilities</u>	<u>Community Services</u>	<u>Development Services</u>	2024 Total (Restated) (Note 33)	<u>2024 Budget</u>
Revenue								
Property Taxes	\$ 54,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,315	\$ 54,203
Sales and User Fees	233	1,067	991	28,517	2,728	543	34,079	33,594
Franchise Fees	8,613	-	-	-	-	-	8,613	8,155
Government Transfer - Operating	5	819	944	2	2,485	540	4,795	4,492
Licenses and Permits	-	137	122	-	-	2,834	3,093	2,291
Sales to Other Governments	-	4,279	-	-	-	-	4,279	3,121
Rentals	-	861	83	-	2,150	1	3,095	2,597
Others	318	12	584	4	389	1,717	3,024	953
Fines	-	698	-	-	-	-	698	2,407
Investments	1,512	-	8	-	89	75	1,684	765
Penalties	722	-	-	145	-	-	867	806
	<u>65,718</u>	<u>7,873</u>	<u>2,732</u>	<u>28,668</u>	<u>7,841</u>	<u>5,710</u>	<u>118,542</u>	<u>113,384</u>
Expenses								
Salaries, Wages and Benefits	11,890	11,234	8,504	2,389	9,563	2,827	46,407	47,521
Purchases from Other Governments	-	7,292	1,699	11,769	-	-	20,760	21,404
Contracted and General Services	5,214	1,610	6,776	4,504	3,485	1,117	22,706	26,628
Amortization	583	1,071	10,826	6,195	1,505	8	20,188	21,877
Materials, Goods & Supplies	81	910	3,764	564	1,785	18	7,122	7,231
Interest on Long-Term Debt	51	-	681	437	468	70	1,707	1,912
Transfers	-	-	-	-	172	81	253	499
Other	285	-	-	31	60	-	376	516
Bank Charges	101	-	-	-	4	142	247	197
Accretion	4	1	3	1	20	-	29	-
	<u>18,209</u>	<u>22,118</u>	<u>32,253</u>	<u>25,890</u>	<u>17,062</u>	<u>4,263</u>	<u>119,795</u>	<u>127,785</u>
Annual Surplus (Deficit) before Undernoted	47,509	(14,245)	(29,521)	2,778	(9,221)	1,447	(1,253)	(14,401)
Other Income								
Government Transfers - Capital	-	-	6,014	-	4,870	-	10,884	12,422
Contributed TCA	-	-	6,077	4,631	27	4,635	15,370	11,280
Gain on Disposal of TCA	(38)	-	(422)	89	(682)	(1)	(1,054)	-
Developer Contribution and Levies	-	-	3,426	1,248	1,399	-	6,073	2,003
	<u>(38)</u>	<u>-</u>	<u>15,095</u>	<u>5,968</u>	<u>5,614</u>	<u>4,634</u>	<u>31,273</u>	<u>25,705</u>
Annual Surplus (Deficit)	<u>\$ 47,471</u>	<u>\$ (14,245)</u>	<u>\$ (14,426)</u>	<u>\$ 8,746</u>	<u>\$ (3,607)</u>	<u>\$ 6,081</u>	<u>\$ 30,020</u>	<u>\$ 11,304</u>

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

CITY OF SPRUCE GROVE
SCHEDULE 6 - TANGIBLE CAPITAL ASSETS

For The Year Ended December 31, 2025

(In thousands of dollars)

	<u>Land</u>	<u>Land Improvement</u>	<u>Leasehold Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machine & Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	<u>2025</u>
Cost									
Balance, Opening	\$ 200,885	\$ 33,752	\$ 1,186	\$ 106,500	\$ 494,503	\$ 35,527	\$ 14,122	\$ 83,408	\$ 969,883
Restatement (Note 33)	<u>(2,412)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,412)</u>
Balance (Restated), Opening	198,473	33,752	1,186	106,500	494,503	35,527	14,122	83,408	967,471
Acquired	-	11,691	-	4,147	7,958	4,525	2,125	5,094	35,540
Contributed	8,977	19	-	-	11,241	1,618	-	-	21,855
Disposals	-	(304)	-	(5)	(1,000)	(1,962)	(362)	-	(3,633)
Transfers	180	5,396	-	67,308	4,640	4,791	221	(82,536)	-
Transfer from Land Held for Sale	<u>399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399</u>
Cost, Closing	<u>208,029</u>	<u>50,554</u>	<u>1,186</u>	<u>177,950</u>	<u>517,342</u>	<u>44,499</u>	<u>16,106</u>	<u>5,966</u>	<u>1,021,632</u>
Accumulated Amortization									
Balance, Opening	-	17,649	974	28,794	201,253	23,122	6,301	-	278,093
Amortization	-	2,175	47	3,752	13,643	2,921	1,096	-	23,634
Disposals	<u>-</u>	<u>(287)</u>	<u>-</u>	<u>(2)</u>	<u>(830)</u>	<u>(1,690)</u>	<u>(362)</u>	<u>-</u>	<u>(3,171)</u>
Balance, Closing	<u>-</u>	<u>19,537</u>	<u>1,021</u>	<u>32,544</u>	<u>214,066</u>	<u>24,353</u>	<u>7,035</u>	<u>-</u>	<u>298,556</u>
Net Book Value, Closing	<u>\$ 208,029</u>	<u>\$ 31,017</u>	<u>\$ 165</u>	<u>\$ 145,406</u>	<u>\$ 303,276</u>	<u>\$ 20,146</u>	<u>\$ 9,071</u>	<u>\$ 5,966</u>	<u>\$ 723,076</u>

CITY OF SPRUCE GROVE
SCHEDULE 7 - TANGIBLE CAPITAL ASSETS

For The Year Ended December 31, 2024

(In thousands of dollars)

	<u>Land</u>	<u>Land Improvement</u>	<u>Leasehold Improvement</u>	<u>Buildings</u>	<u>Engineering Structures</u>	<u>Machine & Equipment</u>	<u>Vehicles</u>	<u>Construction in Progress</u>	2024 (Restated) (Note 33)
Cost									
Balance, Opening	\$ 188,687	\$ 29,700	\$ 1,005	\$ 105,754	\$ 480,445	\$ 32,504	\$ 13,338	\$ 41,060	\$ 892,493
Acquired	-	180	181	201	3,068	2,933	824	54,082	61,469
Contributed	4,635	-	-	-	10,426	171	138	-	15,370
Disposals	(35)	-	-	(726)	512	(819)	(426)	(357)	(1,851)
Transfers	5,196	3,872	-	1,271	52	738	248	(11,377)	-
Transfer to Land Held for Sale	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>
Cost, Closing	<u>198,473</u>	<u>33,752</u>	<u>1,186</u>	<u>106,500</u>	<u>494,503</u>	<u>35,527</u>	<u>14,122</u>	<u>83,408</u>	<u>967,471</u>
Accumulated Amortization									
Balance, Opening	-	16,052	927	26,622	187,476	21,597	5,692	-	258,366
Amortization	-	1,597	47	2,214	13,265	2,198	865	-	20,186
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>512</u>	<u>(673)</u>	<u>(256)</u>	<u>-</u>	<u>(459)</u>
Balance, Closing	<u>-</u>	<u>17,649</u>	<u>974</u>	<u>28,794</u>	<u>201,253</u>	<u>23,122</u>	<u>6,301</u>	<u>-</u>	<u>278,093</u>
Net Book Value, Closing	<u>\$ 198,473</u>	<u>\$ 16,103</u>	<u>\$ 212</u>	<u>\$ 77,706</u>	<u>\$ 293,250</u>	<u>\$ 12,405</u>	<u>\$ 7,821</u>	<u>\$ 83,408</u>	<u>\$ 689,378</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

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

1. Significant Accounting Policies

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

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and changes in net financial position and cash flows of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the City and are, therefore, accountable to Council for the administration of their financial affairs and resources.

The reporting entity includes all divisions and departments that comprise City operations, the City of Spruce Grove Library Board and the TransAlta Tri Leisure Centre. Inter-organizational transactions and balances between these entities have been eliminated.

The City is associated with various other boards, commissions and other organizations that are not part of the government reporting entity.

Property taxes levied include requisitions for education and seniors housing organizations that are not part of the government reporting entity. The consolidated financial statements exclude any trusts under administration for the benefit of external parties.

(b) Valuation of Financial Assets and Liabilities

The City's financial assets and liabilities are generally measured as follows.

Financial Statement Component	Measurement
Cash	Cost
Investments	Fair value and amortized cost
Accounts receivable	Lower of cost and net recoverable value
Debt recoverable	Amortized cost
Land held for resale	Lower of cost and net realizable value
Accounts payable and accrued liabilities	Cost
Asset retirement obligations	Cost of present value
Long-term debt	Amortized cost
Derivatives	Fair value

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

All financial assets are assessed annually for impairment. Impairment losses are recognized in the consolidated statement of operations. A write-down of a financial asset to reflect a loss that is other than temporary in value is not reversed for a subsequent increase in value.

For financial assets and liabilities measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are expensed as they are incurred.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(b) Valuation of Financial Assets and Liabilities (continued)

i. Investments

Investments consist of authorized investments pursuant to provisions of the Municipal Government Act and comprise financial instruments issued by the Canadian government and Schedule I, II and III banks as well as asset backed securities. All investments are in accordance with the Investment Policy approved by Council.

Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position.

Investment income is reported as revenue in the period earned. When required by agreement or legislation, investment income earned on deferred revenue is added to the deferred revenue balance. Discounts and premiums arising on the purchase of investments are amortized over the term of the investment. Should there be a loss in value that is not considered temporary, the respective investment is written down to recognize the loss.

ii. 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.

iii. Land Held for Resale

Land held for resale is recorded at the lower of cost or net realizable value. Cost includes amounts for acquisition, land improvements, sales commission and interest. Interest is capitalized whenever external debt is issued to finance the acquisition of land held for resale. Repayments of interest from third parties reduces the amount of capitalized interest.

iv. Derivatives

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

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

(c) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations.

(continued)

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025
(in thousands of dollars)

1. Significant Accounting Policies (continued)

(c) Non-Financial Assets (continued)

i. Tangible Capital Assets

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

Asset	Useful Life in Years
Engineered Structures	20 - 75
Machinery and Equipment	4 - 20
Buildings	25 - 50
Vehicles	8 - 25
Land Improvements	15 - 25
Leasehold Improvements	Life of the Lease

Amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Construction in progress is not amortized until the asset is available for productive use.

i. Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue.

ii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases.

At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. Assets recorded under capital leases are amortized on a straight line basis over the term of the lease that is the estimated useful lives of the assets. The imputed interest is charged against income. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii. Works of Art and Cultural and Historic Assets

Works of art and cultural and historic assets are not recorded as tangible capital assets and are not amortized.

iv. Inventory

Inventory is comprised of supplies held for consumption and is recorded at the lower of cost and replacement cost.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(d) Revenue Recognition

i. Revenue

Revenues are recognized 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.

ii. Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisition over-levies and under-levies arise from the difference between the actual tax levy made to cover each requisition and the actual amount requisitioned. Where the actual levy differs from the requisition, the requisition tax rate is adjusted in the subsequent year.

iii. Developer Contributions

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

iv. Developer Offsite Levies

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

v. Government Transfers

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs in the completion of specific work, or for the purchase of tangible capital assets. These transfers are not the result of an exchange transaction, and are not expected to be repaid in the future, or the result of a direct financial return. Revenue is recognized in the period when events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

(e) Expenses

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

1. Significant Accounting Policies (continued)

(f) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the financial statement date, when:

- an environmental standard exists;
- contaminations exceed the environmental standard;
- the City owns the land; or is directly responsible; or accepts responsibility;
- it is expected that future economic benefits will be given up; and
- the liability can be reasonably estimated

The liability is estimated to cover remediation, post remediation operation, maintenance and monitoring costs based on information available at the financial statement date.

In some cases, environmental standards are created by internal policy and voluntary compliance with such environmental standards may create a liability.

(g) Asset Retirement Obligations

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

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

Asset retirement obligations are initially measured at the later of the date of acquisition or legislative obligation. When a liability for an asset retirement obligation is recognized, the asset retirement costs are added to the carrying amount of the related tangible capital asset in productive use and are amortized over the estimated useful life of the related tangible capital assets. Asset retirement costs related to unrecognized tangible capital assets or for tangible capital assets no longer in productive use are expensed in the consolidated statement of operations.

When the future retirement date is unknown, the asset retirement obligation is measured at the current estimated cost to settle or otherwise extinguish the liability. When the future retirement date is known, a present value technique is used to measure the liability. Subsequent to the initial measurement, the asset retirement obligation is adjusted to reflect the passage of time and is recognized as an accretion expense in the consolidated statement of operations.

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

(continued)

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2025
(in thousands of dollars)

1. Significant Accounting Policies (continued)

(h) Use of Estimates and Measurement Uncertainty

The preparation of the consolidated financial statements of the City requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results may differ from those estimates.

Estimates have been used to determine provisions for accrued liabilities, asset retirement obligations, liability of contaminated sites, useful lives of tangible capital assets, fair values of contributed tangible capital assets, and provisions made for allowances for doubtful receivable accounts.

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

(i) Future Accounting Standard Pronouncements

The following summarizes upcoming changes to public sector accounting standards issued by the Public Sector Accounting Standards Board. In 2025, the City will continue to assess the impact and prepare for the adoption of this standard.

Standard	Name	Effective Date
PS 1202	Financial Statement Presentation	April 1 , 2026

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

2. Accounts Receivable

	<u>2025</u>	<u>2024</u>
Property Taxes		
Property taxes receivable	\$ 1,757	\$ 1,977
Property taxes receivable - arrears	<u>422</u>	<u>477</u>
	<u>2,179</u>	<u>2,454</u>
Other		
Trade and other receivables	4,102	3,540
Developer contributions and levies	3,653	3,211
Utility receivables	3,336	3,293
Due from other governments	2,435	706
Local improvements	2,173	2,483
Advances to agent ¹	1,040	-
Finance contract receivables	823	914
Interest receivables	792	467
Goods and Services Tax recoverable	269	445
Allowance for doubtful accounts	<u>(239)</u>	<u>(210)</u>
	<u>18,384</u>	<u>14,849</u>
	<u>\$ 20,563</u>	<u>\$ 17,303</u>

(1) The City participates in the Clean Energy Improvement Program ("CEIP") funded and financed by the Federation of Canadian Municipalities ("FCM") (Note 12) and administered by Alberta Municipalities (the "Agent"). Under this program, the City provides financing to eligible property owners to assist with the upfront costs of energy efficiency and renewable energy upgrades with repayment collected through property tax billings.

The City has entered into an agreement with the Agent to administer the CEIP including project intake, contractor payments, and program reporting.

As at December 31, 2025, the City has advanced \$1,040 to the Agent to fund eligible program costs and program delivery. The balance of unspent funds held by the Agent at year-end amounted to \$1,040 (2024 - \$NIL) and is included in accounts receivable.

Amounts advanced to property owners under the CEIP are recorded as loans receivable and are secured on a lien on the participating properties. As at December 31, 2025, loans receivable issued under the CEIP amounted to \$NIL (2024 - \$NIL).

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

3. Debt Recoverable

	<u>2025</u>	<u>2024</u>
Meridian Housing Foundation	\$ <u>2,692</u>	\$ <u>2,783</u>

The City has borrowed and loaned funds to the Meridian Housing Foundation in accordance with section 264 of the *Municipal Government Act*. The City passed Bylaw C-1316-24 on April 22, 2024 authorizing Council to lend \$2,871,850 to the Meridian Foundation for the construction of housing. The loan was advanced during 2024 and is repayable in 20 installments of \$216, including interest of 4.45%. The loan was financed by an equivalent borrowing from the Royal Bank of Canada (Note 12).

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 96	\$ 120	\$ 216
2027	101	116	217
2028	105	112	217
2029	110	106	216
2030	115	101	216
Subsequent	<u>2,165</u>	<u>803</u>	<u>2,968</u>
	<u>\$ 2,692</u>	<u>\$ 1,358</u>	<u>\$ 4,050</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

4. Investments

	<u>2025</u>	<u>2024</u>
Investments - amortized cost	\$ 35,291	\$ 24,037
Investments - fair value	<u>12,543</u>	<u>7,676</u>
	<u>\$ 47,834</u>	<u>\$ 31,713</u>

The composition of investments measured at amortized costs is as follows

	Amortized Cost <u>2025</u>	Market Value <u>2025</u>	Amortized Cost <u>2024</u>	Market Value <u>2024</u>
Bonds	\$ 34,168	\$ 33,735	\$ 22,973	\$ 22,022
GICs	1,093	1,093	1,035	1,035
Other	<u>30</u>	<u>30</u>	<u>29</u>	<u>29</u>
	<u>\$ 35,291</u>	<u>\$ 34,858</u>	<u>\$ 24,037</u>	<u>\$ 23,086</u>

Investments in bonds have effective interest rates of 1.29% to 5.30% (2024 - 1.28% to 3.78%) with maturity dates from June 2026 to July 2035. Other investments include a callable interest savings account with an effective rate of 2.80% (2024 - 3.80%).

The composition of investments measured at fair value is as follows

	<u>2025</u>			
	Level 1	Level 2	Level 3	Total
Principal Protected Notes	\$ -	\$ 12,543	\$ -	\$ 12,543

	<u>2024</u>			
	Level 1	Level 2	Level 3	Total
Principal Protected Notes	\$ -	\$ 7,676	\$ -	\$ 7,676

Fair values are those derived from:

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

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

5. Land Held for Resale

The City holds interest in land in the amount of \$478 (2024 - \$934) representing the costs related to 30 Westwind Drive and 1 Century Close. The City entered into an option agreement with the developer to dispose of 30 Westwind Drive set to expire on May 13, 2029.

In 2025, interest on long-term debt associated with the land held for resale in the amount of \$NIL (2024 - \$NIL) was capitalized.

6. Operating Line of Credit

The City has access to an operating line of credit available for use, up to a maximum of \$5,000,000, bearing interest at prime + 0.00%, and is secured by the City at large. As at December 31, 2025, \$NIL (2024 - \$3,284) was drawn against the operating line of credit.

7. Accounts Payable and Accrued Liabilities

	<u>2025</u>	<u>2024</u>
Trade and accrued liabilities	\$ 8,612	\$ 14,429
Deposits	4,226	3,083
Wages and benefits	4,120	4,168
Finance contract payable	2,206	3,596
Developer commitments	1,404	1,569
Holdbacks	691	2,587
Interest payable	200	64
	<u>\$ 21,459</u>	<u>\$ 29,496</u>

Note 11

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

8. Deferred Revenue

	<u>2024</u>	Amount Received and Receivable	Interest and Other	Amounts Recognized	<u>2025</u>
Developer Contributions					
Cash in Lieu of Municipal Reserve	\$ 2,583	\$ 31	\$ 64	\$ -	\$ 2,678
Neighborhood Parks	1,281	-	(387)	-	894
Administration	144	-	4	-	148
Land Acquisition	4	-	-	-	4
District and Regional Parks	-	518	-	(518)	-
	<u>4,012</u>	<u>549</u>	<u>(319)</u>	<u>(518)</u>	<u>3,724</u>
Developer Levies					
Water	-	863	-	(863)	-
Transportation	-	5,084	-	(5,084)	-
Recreation	-	1,517	-	(1,517)	-
Library	-	292	-	(292)	-
Sewer	-	699	-	(699)	-
	<u>-</u>	<u>8,455</u>	<u>-</u>	<u>(8,455)</u>	<u>-</u>
Developer Contributions and Levies	4,012	9,004	(319)	(8,973)	3,724
Government Transfers - Capital					
Municipal Sustainability Initiative	1,518	-	31	(749)	800
Canada Community Building Fund	21	4,739	13	(4,185)	588
Local Government Fiscal Framework	-	6,045	1	(6,042)	4
Other Government Transfers	-	1,126	14	(1,051)	89
	<u>1,539</u>	<u>11,910</u>	<u>59</u>	<u>(12,027)</u>	<u>1,481</u>
Government Transfers - Operating					
Other Government Transfers	131	742	-	(445)	428
Family & Community Support Services	-	858	-	(858)	-
Local Government Fiscal Framework	-	519	-	(519)	-
	<u>131</u>	<u>2,119</u>	<u>-</u>	<u>(1,822)</u>	<u>428</u>
Total Government Transfers	1,670	14,029	59	(13,849)	1,909
Other Revenue					
Permits	1,395	5,601	-	(5,369)	1,627
User Fees	1,259	8,793	-	(8,314)	1,738
Property Taxes	457	15,761	-	(15,683)	535
Sponsorship	129	218	-	(174)	173
Cash in Lieu of Parking	198	-	6	-	204
FCM - CEIP Grant	-	586	-	(172)	414
Meridian Housing Foundation	91	84	-	(91)	84
	<u>3,529</u>	<u>31,043</u>	<u>6</u>	<u>(29,803)</u>	<u>4,775</u>
	<u>\$ 9,211</u>	<u>\$ 54,076</u>	<u>\$ (254)</u>	<u>\$ (52,625)</u>	<u>\$ 10,408</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

9. Liability for Contaminated Sites

	<u>2025</u>	<u>2024</u>
Pioneer Cemetery - salt impacted soil	\$ 170	\$ 855
Historic Public Works Yard - salt impacted soil	<u>67</u>	<u>42</u>
	<u>\$ 237</u>	<u>\$ 897</u>

The fair value of the liability for contaminated sites is estimated using the expected cash flow approach that reflects a range of possible outcomes discounted using the Bank of Canada prime rate. Subsequent to the initial measurement, the obligation will be adjusted at the end of each year to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Changes in the obligation are recognized in the consolidated statement of operations and accumulated surplus.

The estimated undiscounted future remediation expenditures are \$237 (2024 - \$897) and a discount rate of 4.45% (2024 - 5.45%) has been used.

The Historic Public Works Yard (PW Yard) and Pioneer Cemetery contaminated sites have active Risk Management Plans (RMP). The PW Yard RMP was approved by Alberta Environment and Protected Areas (AEPA) in 2022 and requires annual monitoring and reporting of groundwater, surface water, and soil vapour. The Pioneer Cemetery RMP was approved by AEPA in March 2025 and will require groundwater monitoring and reporting once every three years. The City has updated the estimated future costs for Pioneer Cemetery as a result of the RMP approval.

10. Asset Retirement Obligations

	<u>2025</u>	<u>2024</u>
Balance, Opening	\$ 538	\$ 531
Accretion	32	30
Liability settled	<u>-</u>	<u>(23)</u>
Balance, Closing	<u>\$ 570</u>	<u>\$ 538</u>

Tangible capital assets with associated retirement obligations include buildings and engineered structures.

The City has asset retirement obligations to remove various hazardous materials including, asbestos, lead, mercury, and mold from various buildings under its control. Regulations require the City to handle and dispose of these materials in a prescribed manner when it is disturbed, such as when the building undergoes renovations or is demolished. Although the timing of the removal is conditional on the building undergoing renovations or being demolished, regulations create an existing obligation for the City to remove the materials when the asset retirement activities occur.

Asset retirement obligations of \$570 (2024 - \$538) are measured using a present value technique. The present value was calculated using estimated total undiscounted cash flow amounting to \$1,694 (2024 - \$1,694), a discount rate of 5.25% (2024 - 5.25%) with retirement and reclamation activities expected to be settled between 2034 and 2070.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2025

(in thousands of dollars)

11. Derivatives

The City has entered into interest rate swap agreements with financial institutions to manage volatility of interest rates. As at December 31, 2025, the City held contracts for settlement between July 2044 and June 2050, with a notional amounts ranging from \$25 to \$2,751 (2024 - \$670 to \$25,704). The fair value of outstanding contracts receivable is \$823 (2024 - \$914) and of contracts payable is \$2,206 (2024 - \$3,596).

12. Long-Term Debt

	<u>2025</u>	<u>2024</u>
Province of Alberta		
Boundary Road	\$ 5,708	\$ -
Protective Services Facility	3,552	3,936
Public Works Facility	3,530	3,735
City Hall Renovations	2,972	-
Reimagine Central Park	2,796	-
Local Improvements	1,865	2,236
Industrial Watermain	1,693	1,790
Storm Upgrade	1,658	1,755
City Center Water (Mohr Ave)	1,476	-
City Center Sanitary Sewer	984	-
Sanitary Sewer - Queen Street	575	-
Protective Services - Solar	200	-
	<u>27,009</u>	13,452
CIBC		
Civic Centre	44,249	41,069
Development	8,910	9,902
RCMP Facility	6,048	6,490
Industrial Watermain	3,780	3,983
CIBC - City Centre ARP	2,120	2,240
CIBC - Storm Ponds Rehab	1,191	-
	<u>66,298</u>	63,684
RBC		
RBC - Meridian Housing Loan	<u>2,751</u>	<u>2,842</u>
Other		
Federation of Canadian Municipalities	1,027	-
Capital lease obligations	265	289
	<u>1,292</u>	289
	<u>\$ 97,350</u>	<u>\$ 80,267</u>

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

12. Long-Term Debt (continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 5,676	\$ 3,793	\$ 9,469
2027	5,627	3,582	9,209
2028	5,688	3,383	9,071
2029	5,770	3,037	8,807
2030	5,854	2,939	8,793
Subsequent	<u>68,470</u>	<u>21,083</u>	<u>89,553</u>
	<u>\$ 97,085</u>	<u>\$ 37,817</u>	<u>\$ 134,902</u>

Debt repayable to the Province of Alberta bears interest at rates ranging from 1.88% to 4.34% per annum (2024 - 1.88% to 4.44%) and matures in periods 2026 to 2045. This debt is issued on the credit and security of the City.

Infrastructure loan facilities with Canadian Imperial Bank of Canada have fixed terms of 15 to 25 years, effective interest rates ranging from 2.50% to 5.19% (2024 - 2.50% to 5.19%) and maturing in periods 2034 to 2051 and are repayable upon demand.

Debt repayable to the Royal Bank of Canada for the Meridian Housing Foundation has a fixed term of 20 years, maturing in 2044 with an effective interest rate of 4.45%.

Debt repayable to the Federation of Canadian Municipalities has a fixed term of 25 years, effective interest rate of 2.50%, and maturing in 2050.

Interest on long-term debt amounted to \$3,646 (2024 - \$1,707). The City's total cash payment for interest in 2025 is \$3,510 (2024 - \$1,628).

Capital lease obligations are included in the long-term debt balances. The City has entered into lease agreements to acquire solar panels which have been financed by a capital lease with Enmax Generation. The liability recorded under the capital leases represents the minimum lease payments payable net of imputed interest at an average rate of 3.00% per annum.

The City's obligation under capital leases consists of :

	<u>2025</u>	<u>2024</u>
Minimum lease payments payable	\$ 303	\$ 337
Less: Portion representing interest to be recorded over the remaining term of the lease	<u>(38)</u>	<u>(48)</u>
Total Leases	265	289
Less: current portion	<u>(25)</u>	<u>(24)</u>
Long-term portion	\$ 240	\$ 265

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

12. Long-Term Debt (continued)

Future minimum annual lease payments payable under the capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 25	\$ 8	\$ 33
2027	26	7	33
2028	26	6	32
2029	27	5	32
2030	28	5	33
Subsequent	<u>133</u>	<u>9</u>	<u>142</u>
	<u>\$ 265</u>	<u>\$ 40</u>	<u>\$ 305</u>

13. Debt Limits

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

	<u>2025</u>	<u>2024</u>
Total Debt Limit		
(1.5 times revenue, as defined in the regulation)	\$ 208,380	\$ 189,170
Total Debt	<u>(97,350)</u>	<u>(80,267)</u>
Amount of Debt Limit Unused	<u>\$ 111,030</u>	<u>\$ 108,903</u>
Debt Servicing Limit		
(0.25 times revenue, as defined in the regulation)	\$ 34,730	\$ 31,528
Debt Servicing	<u>(9,502)</u>	<u>(7,979)</u>
Amount of Debt Servicing Limit Unused	<u>\$ 25,228</u>	<u>\$ 23,549</u>

Revenue as defined in Alberta Regulation 255/2000 is calculated using the total revenue for the reporting year less capital government transfers and contributed tangible capital assets recognized in the year. The City has a financial policy that requires maintaining debt to a maximum of 50.00% of the above provincial debt limit. As of December 31, 2025 the City is in compliance with this internal debt limit.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

14. Accumulated Surplus

		<u>2025</u>	<u>2024</u> (Restated) (Note 33)
Reserves	Note 15	\$ 46,581	\$ 37,677
Unrestricted		45,112	9,375
TransAlta Tri Leisure Centre		(877)	(1,016)
Spruce Grove Public Library		(1,899)	(1,004)
Developer Deficit	Note 16	<u>(30,374)</u>	<u>(9,776)</u>
		58,543	35,256
Equity in Tangible Capital Assets	Note 17	<u>631,099</u>	<u>613,892</u>
Accumulated Surplus from Operations		689,642	649,148
Accumulated Remeasurement Loss		<u>(1,237)</u>	<u>(2,884)</u>
		<u>\$ 688,405</u>	<u>\$ 646,264</u>

15. Reserves

	<u>2025</u>	<u>2024</u>
Utility Reserves	\$ 12,087	\$ 8,344
Specific Purposes Reserves	10,950	9,962
Municipal Lifecycle Reserves	9,513	10,200
Project Reserves	9,092	5,697
Stabilization and Contingency Reserves	<u>4,939</u>	<u>3,474</u>
	<u>\$ 46,581</u>	<u>\$ 37,677</u>

16. Developer Deficit

	<u>2024</u>	<u>Funds</u> <u>Received</u>	<u>Funds Utilized</u>	<u>2025</u>
District and Regional Parks	\$ (1,367)	\$ 518	\$ (53)	\$ (902)
Water	(820)	863	(1,082)	(1,039)
Library	197	292	(4,089)	(3,600)
Transportation	(2,389)	5,084	(8,850)	(6,155)
Sanitary Sewer	(6,497)	699	(441)	(6,239)
Recreation	<u>1,100</u>	<u>1,517</u>	<u>(15,056)</u>	<u>(12,439)</u>
	<u>\$ (9,776)</u>	<u>\$ 8,973</u>	<u>\$ (29,571)</u>	<u>\$ (30,374)</u>

The City paid for certain transportation and water infrastructure projects on behalf of developers and financed this development with long-term debt in order to advance the construction of these projects. The developer deficits are expected to be repaid with proceeds from the future offsite levies. Long-term debt in the amount of \$31,937 (2024 - \$25,267) was taken out by the City as offsite developer fund balances are currently insufficient to pay for future development's share of these project costs.

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

17. Equity in Tangible Capital Assets

Equity in tangible capital assets is comprised of the following:

	<u>2025</u>	<u>2024</u> (Restated) (Note 33)
Net book value of tangible capital assets	\$ 723,076	\$ 689,378
Debt recoverable related to tangible capital assets	2,165	2,478
Asset retirement obligations	(570)	(538)
Long term debt related to tangible capital assets	<u>(93,572)</u>	<u>(77,426)</u>
	<u>\$ 631,099</u>	<u>\$ 613,892</u>

18. Segmented Disclosure

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional area in the body of the financial statements. Allocation methodologies are employed in the preparation of the segmented financial information. User charges and other revenue have been allocated to the segment based upon the segment that generated that revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges and developer levies are allocated to the segment for which the transfer was made. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

(a) General Government

General Government is comprised of Council and General Administration. Council makes decisions regarding delivery and service levels on behalf of the City in order to balance the needs and wants of City residents in a financially responsible manner. General Administration is responsible for the administration of the City as a whole.

(b) Protective Services

Protective Services is comprised of Safe City - Enforcement Services, Police and Fire. Safe City - Enforcement Services provides enforcement in the areas of Provincial Acts and Municipal Bylaws; developing proactive educational safe city programs; and management of the Automated Traffic Enforcement contract. Fire is responsible to provide fire suppression services; fire prevention programs; training and education related to prevention; detection or extinguishment of fires; and advanced life support to Alberta Health Services 24/7.

(c) Transportation Services

Transportation and Roadway Services is comprised of the Engineering Services and the Public Works departments. They are responsible for the planning, development and maintenance of roadway systems.

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

18. Segmented Disclosure (continued)

(d) Utilities

The City is responsible for environmental programs such as the engineering, operation and maintenance of Water, Sanitary Sewer and Stormwater networks and facilities and Solid Waste Management.

(e) Community Services

Community Services provides recreational and cultural services, activities which promote the health and wellbeing of its citizens, and activities related to parks and cemetery maintenance and operation.

(f) Development Services

Development Services is comprised of Planning and Development Services and Economic Development. Planning and Development Service manages long term planning, current planning and subdivision, development permits and safety code disciplines. Economic Development is responsible for facilitating programs and services intended to help local businesses prosper and grow, and attract new business and investment in the City.

19. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and the chief administrative officer is required by Alberta Regulation 313/2000. **This information is not presented in thousands of dollars**

	<u>2025</u> <u>Salaries /</u> <u>Contract</u> ^{1,2}	<u>2025</u> <u>Benefits</u> ³	<u>2024</u> <u>Salaries /</u> <u>Contract</u> ^{1,2}	<u>2024</u> <u>Benefits</u> ³
Mayor Acker	\$ 131,928	\$ 21,958	\$ 121,656	\$ 19,691
Councillor Bennett	10,840	2,665	-	-
Councillor Carter	77,504	17,910	70,076	15,418
Councillor Gillett	71,682	17,462	66,797	15,334
Councillor Houston	64,676	10,514	72,100	10,828
Councillor MacDonald	56,467	11,882	64,812	12,694
Councillor Mastaler	10,840	2,665	-	-
Councillor Oldham	56,991	14,361	67,960	15,404
Councillor Stevenson	72,760	13,684	66,067	12,237
Councillor Tokar	10,840	2,975	-	-
	<u>564,528</u>	<u>116,076</u>	529,468	101,606
City Manager	307,882	53,079	283,155	50,530
Designated Officer ⁴	<u>401,243</u>	-	<u>340,896</u>	-
	<u>\$ 1,273,653</u>	<u>\$ 169,155</u>	<u>\$ 1,153,519</u>	<u>\$ 152,136</u>

(continued)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

19. Salary and Benefits Disclosure (continued)

- (1) Salaries include remuneration and per diem paid to elected officials, including a basic honorarium, and a meeting per diem. Benefits include the employer's share of all benefits paid on behalf of elected officials and include Canada Pension Plan, health care, extended health care, dental, group life, accidental and death and dismemberment insurance, dependent life insurance, a home office expense allowance, car allowance, and WCB coverage.
- (2) Contract include remuneration paid to third parties for services performed.
- (3) Employees are also eligible for Employment Insurance, Long Term Disability, Local Authorities Pension Plan, APEX Plus Pension Plan and memberships to the TransAlta Tri Leisure Centre. Council is eligible for a matching RRSP contributions of up to 4.00% of their annual salary.
- (4) Designated officers include the City's third-party assessor.

Councillors also serve on a number of external Committees/Boards for which they receive remuneration directly from those organizations and which are not included in the above Salary and Benefits Disclosure.

20. Local Authorities Pension Plan

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

The City is required to make current service contributions to LAPP of 8.45% (2024 - 8.45%) of eligible pensionable earnings up to the year's maximum pensionable earnings (YMPE) and 11.65% (2024 - 11.65%) on pensionable earning above this amount. Employees are required to make current service contributions of 7.45% (2024 - 7.45%) of pensionable salary up to the YMPE and 10.65% (2024 - 10.65%) of pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions made by the City to LAPP in 2025 were \$2,950 (2024 - \$2,812). Total current service contributions made by the employees of the City to LAPP in 2025 were \$2,634 (2024 - \$2,514). Total optional service contributions by the City to LAPP in 2025 were \$47 (2024 - \$30).

City employees are able to buy back their first year of service within five years from their start date with LAPP. The City is obligated to pay the employer portion of any prior service buy-back. In, 2025, the City's potential liability for optional service buy-back is \$NIL (2024 - \$33).

At December 31, 2024, LAPP disclosed an actuarial surplus of \$19.6 billion (2023 - \$15.1 billion).

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

21. APEX Supplementary Pension Plan

The APEX supplementary pension plan, and Alberta Urban Municipality Association (AUMA) sponsored defined benefit pension plan covered under the provisions of the *Alberta Employment Pension Plans Act* commenced on January 1, 2003 and provides supplementary pension benefits to a prescribed class of employees (approximately 185 beneficiaries). The plan supplements the Local Authorities Pension Plan.

The prescribed class of employees and the City make contributions. Employees and the City are required to make current service contributions to APEX of 2.42% and 2.96% (2024 - 2.42% and 2.96%) respectively of pensionable earnings up to \$188 (2024 - \$181).

Total current contributions by the City to APEX in 2025 were \$456 (2024 - \$443). Total current service contributions by the employees of the City in 2025 were \$373 (2024 - \$362).

22. Related Parties

Transactions with related parties are included within these consolidated financial statements.

Related parties include key management personnel which the City has determined to include the Mayor, Council and members of the City's senior leadership team. In the normal course of operations, key management personnel incur various costs on behalf of the City. Such transactions between the City and key management personnel are recorded at a value similar to that which would have been arrived at if the parties were unrelated.

23. TransAlta Tri Leisure Centre

The City, Parkland County and the Town of Stony Plain jointly developed, constructed, and are now operating the TransAlta Tri Leisure Centre (TLC). The building is jointly owned by the City, Parkland County and the Town of Stony Plain. The City's proportionate share of the building is 51.80% (2024 - 51.80%).

The Tri-Municipal Leisure Facility Corporation (the "Corporation") operates and manages the TLC. The City, Parkland County and Town of Stony Plain provide annual contributions for a total of \$3,440 (2024 - \$3,440) to support the operations of the TLC, with the City's proportionate share being 51.80% (2024 - 51.80%).

The City's proportionate share of the financial position and operations of the TLC is as follows:

	<u>2025</u>	<u>2024</u>
Financial Position		
Total Financial Assets	\$ 1,642	\$ 1,327
Liabilities	<u>(646)</u>	<u>(670)</u>
Net Financial Assets	996	657
Non-Financial Assets	<u>804</u>	<u>870</u>
Accumulated Surplus	\$ 1,800	\$ 1,527
Operations		
Revenues	\$ 3,598	\$ 3,585
Expenses	<u>(5,205)</u>	<u>(5,016)</u>
Annual Deficits	\$ (1,607)	\$ (1,431)

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

24. Developer Agreements

Developers have entered into agreements with the City and are committed to installing and constructing certain works to serve the development of lands within the City. The City has taken security from the developers in the form of letters of credit in the amount of \$32,636 to secure the performance by the developers under the agreements.

25. Contractual Rights

Contractual rights are rights of the City to economic resources 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 City's ongoing leases and contracts that will be received or receivable for each of the next five years and thereafter are as follows:

<u>Year</u>	<u>Lease and Contracts</u>
2026	\$ 1,338
2027	1,344
2028	1,301
2029	1,291
2030	1,281
Thereafter	<u>8,194</u>
	<u>\$ 14,749</u>

26. Contractual Obligations

As at December 31, 2025, authorized costs for capital projects and transfers committed through a purchase order or other contractual agreement, but not yet expended, amounts to \$11,426.

The City has ongoing operating leases for facilities, as well as service agreements. The future minimum payments are as follows:

<u>Year</u>	<u>Basic Rent</u>
2026	\$ 176
2027	129
2028	129
2029	73
2030	73
Thereafter	<u>160</u>
	<u>\$ 740</u>

CITY OF SPRUCE GROVE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

27. Contingent Liabilities

The City is a member of the Alberta Municipal Insurance Exchange (MUNIX). Under the terms of membership, the City could become liable for its proportionate share of any 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.

The City is a 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 the 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.

28. Financial Risk Management

Credit risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty, debtor or issuer to fully honour its financial obligations with the City. The City is exposed to credit risk on investments and has established an investment policy in compliance with the MGA to limit investments with required minimum credit quality standards. The City's exposure, based on the risk rating of money market holdings and bonds, has not changed significantly year over year.

Credit risk arises from the possibility that tax payers and entities to which the City provides services may experience financial difficulty and be unable to fulfil their obligations. The large number of diversity of taxpayers and customers minimizes the credit risk. Management has established a provision for receivables and assesses it annually to address any concerns that may arise.

The maximum amount of credit risk exposure is equal to the carrying value of the balances recorded in these consolidated financial statements.

Market price risk

Market price risk is 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.

Market risk comprises three types of risk: currency rate risk, interest rate risk, and other price risk. The City is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the City's earnings will be affected by the fluctuation and degree of volatility in interest rates. This risk is managed by investment policies that limit the term to maturity of certain fixed income instruments.

(continued)

CITY OF SPRUCE GROVE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended December 31, 2025

(in thousands of dollars)

28. Financial Risk Management (continued)

Market price risk (continued)

Interest rate risk (continued)

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

Liquidity Risk

Liquidity risk is the risk that the City will encounter difficulty in meeting obligations associated with its financial liabilities.

The City has a revolving credit facility with RBC for \$5 million that bears interest at prime. The City has drawn \$NIL as of December 31, 2025. The City believes, based on assessment of future cash flows, it will have access to sufficient capital through internally generated cash flows, external resources and the remaining undrawn credit facility to meet current spending forecasts. Management continues to monitor the City's liquidity position on a regular basis.

29. Franchise Agreements

Disclosure of utility franchise agreement annual revenues as required by Alberta Regulation 313/2000 is as follows:

	<u>2025</u>	<u>2024</u>
Fortis Alberta Inc.	\$ 5,127	\$ 5,091
ATCO Gas	<u>3,566</u>	<u>3,522</u>
	<u>\$ 8,693</u>	<u>\$ 8,613</u>

30. Budget

City Council approved the 2025 - 2027 Corporate Plan on December 2, 2024 which formally approved the interim budget for operating revenue and expenses and capital revenue and expenditures for 2025. The operating budget information presented in these consolidated financial statements is based on the final operating budget for revenues and expenses approved by the Council as part of the 2025 Spring Budget Adjustment process on April 14, 2025. The capital budget presented in these consolidated statements is based on the final capital budget for revenues and expenditures approved by Council on April 14, 2025.

CITY OF SPRUCE GROVE**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For The Year Ended December 31, 2025

(in thousands of dollars)

31. Approval of the City of Spruce Grove Financial Statements

Council and Management have approved these consolidated financial statements on April 20, 2026.

32. Comparative Figures

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

33. Restatement

During the current year, management identified an error in the contributed land recorded in the prior period. The error resulted in the recording of contributed land that was not owned by the City.

The impact of the restatement on the previously reported financial statements is as follows:

- Land has decreased \$2,412.
- Contributed tangible capital asset revenue decreased \$2,412.
- Closing accumulated surplus has decreased \$2,412.

Comparative figures have been restated as follows:

	<u>As Previously Stated</u>	<u>Restatement</u>	<u>As Restated</u>
Consolidated Statement of Financial Position			
Tangible Capital Assets	691,790	(2,412)	689,378
Accumulated Surplus from Operations	\$ 651,560	\$ (2,412)	\$ 649,148

Consolidated Statement of Operations and Accumulated Surplus

Contributed Tangible Capital Assets	\$ 17,782	\$ (2,412)	\$ 15,370
Annual Surplus (Deficit)	\$ 32,432	\$ (2,412)	\$ 30,020

Accumulated Surplus

Accumulated Surplus - Beginning of year	619,128	-	619,128
Accumulated Surplus - End of year	\$ 651,560	\$ (2,412)	\$ 649,148

Consolidated Statement of Changes in Net Debt

Annual Surplus (Deficit)	\$ 32,432	\$ (2,412)	\$ 30,020
Contributed Tangible Capital Assets	\$ 17,782	\$ (2,412)	\$ 15,370
Net Financial Debt - Beginning of year	(19,103)	-	(19,103)
Net Financial Debt - End of year	\$ (45,091)	\$ -	\$ (45,091)

Consolidated Statement of Cash Flows

Annual Surplus (Deficit)	\$ 32,432	\$ (2,412)	\$ 30,020
Contributed Tangible Capital Assets	\$ 17,782	\$ (2,412)	\$ 15,370