



Medicine Hat



CITY OF MEDICINE HAT

2025 FINANCIAL REPORT

For the Year Ended December 31, 2025
Medicine Hat, Alberta, Canada

City of Medicine Hat, Alberta, Canada

2025 FINANCIAL REPORT

For the year ended December 31, 2025

*This Financial Report has been prepared and compiled by the
City of Medicine Hat Finance Department in cooperation with
all City departments.*



**Information on the City of Medicine Hat
is available via the internet at
www.medicinehat.ca**

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City Council



Brian Varga, Cheryl Phaff, Ted Clugston, Dan Reynish, Linnsie Clark, Stuart Young, Chris Hellman, Yusef Mohammed, Bill Cocks

STANDING COMMITTEES

Administrative & Legislative Review Committee

Councillor S. Young, Chair
Councillor T. Clugston
Councillor Y. Mohammed

Audit Committee

Councillor C. Phaff, Chair
Councillor Y. Mohammed, Vice Chair
Councillor B. Varga
L. Barta, Interim Corporate Services Managing Director & CFO, Advisor

Corporate Services Committee

Councillor C. Hellman, Chair
Councillor B. Varga, Vice Chair
Councillor S. Young

Development & Infrastructure Committee

Councillor Y. Mohammed, Chair
Councillor D. Reynish, Vice Chair
Councillor C. Phaff

Emergency Advisory Committee

Mayor L. Clark, Chair
Councillor B. Cocks, Vice Chair
Councillor C. Clugston

Energy, Land & Environment Committee

Councillor C. Clugston, Chair
Councillor S. Young, Vice Chair
Councillor B. Cocks

Public Services Committee

Councillor B. Cocks, Chair
Councillor C. Hellman, Vice Chair
Councillor D. Reynish

Administrative Committee

L. Clark, Mayor
T. Aaserud, Interim City Manager, Chair
J. Hutter, Public Services Managing Director
L. Barta, Interim Corporate Services Managing Director & CFO
P. Bohan, Development & Infrastructure Managing Director
R. Pancoast, Energy, Land and Environment Managing Director
B. Bullock, City Solicitor
S. Zubrecki, Acting City Clerk

SPECIAL COMMITTEES

Chamber of Commerce: Councillor C. Phaff

Civic Functions: Councillor D. Reynish

Community Futures Entre-Corp: Mayor L. Clark

Community Vibrancy Advisory Board: Councillor C. Cocks

Cypress View Foundation: Mayor L. Clark, Councillor D. Reynish

Friends of Medalta Society: Councillor C. Phaff

Highway #3 Twinning Association: Councillor C. Phaff

Intermunicipal Committee: Mayor L. Clark, Councillor S. Young

Medicine Hat Community Housing Society: Councillor C. Hellman

Medicine Hat Exhibition & Stampede: Councillor C. Phaff

Medicine Hat Public Library: Councillor C. Hellman

Municipal Names Committee: Councillor D. Reynish

Municipal Planning Commission: Councillors T. Clugston, B. Varga

Palliser Economic Partnership: Councillors Y. Mohammed, C. Phaff

Police Commission: Councillors C. Clugston, B. Cocks

Physician Attraction & Retention: Mayor L. Clark, Councillor Y. Mohammed

Regional Drainage: Councillor B. Varga

Resilient and Inclusive Task Force: Councillors C. Hellman, S. Young

Shortgrass Library System: Councillor D. Reynish

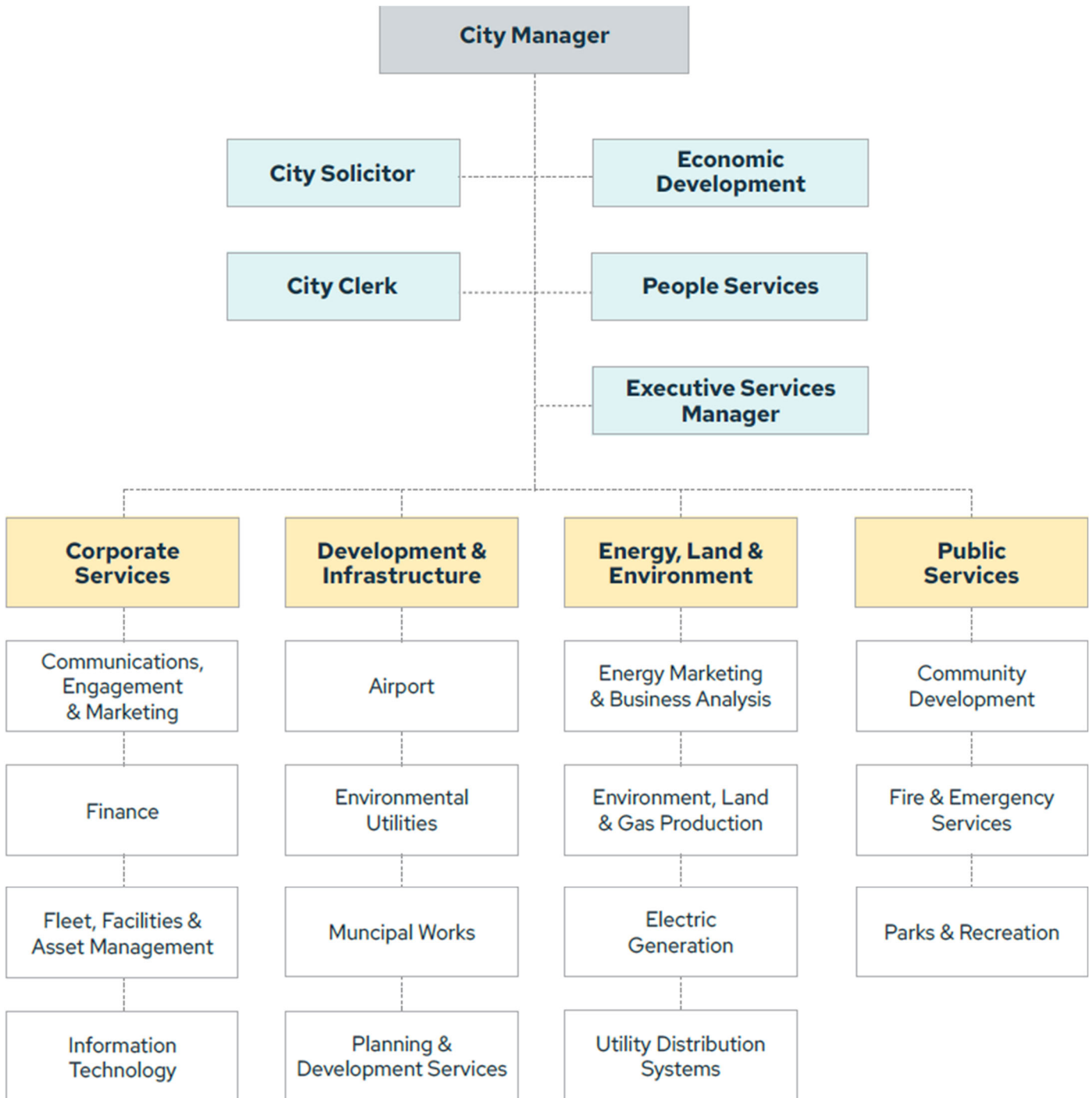
Southeast Alberta Economic Opportunity Advocacy Committee: Mayor L. Clark

Subdivision & Devel. Appeal Board: Councillor B. Cocks, C. Hellman

Tourism Medicine Hat: Councillor S. Young, B. Varga

Organizational Structure

As at December 31, 2025



CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

INTRODUCTION

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2025. MNP LLP has audited these financial statements and provided an unqualified audit opinion in their report dated April 20, 2026.

The City provides multiple services to residents in Medicine Hat and surrounding area. At a municipal level it provides:

- protection to its citizens (fire, police and bylaw services, 9-1-1 communications, community development services)
- parks, recreation and culture activities
- road, bridge, sidewalk and trail maintenance
- city planning and development

The City also operates enterprise business units offering the following services:

- water, sewer and solid waste management
- land and property development
- integrated commodity related businesses including natural gas exploration, production and procurement as well as electric generation
- natural gas and electric distribution services

The financial statements bring together the financial results of these activities. In doing so, the City is responsible for both accuracy of the data and completeness and fairness of the presentation, including all disclosures. This report provides users with an overview of the City of Medicine Hat's financial performance.

The purpose of the financial report is to present readers with clear insight into the financial results for the City for the fiscal year ended December 31, 2025. City administration strives to ensure that this report presents fairly the financial position of this City. The report compares how financial resources were used compared to budgets and past financial performance, and is divided into seven sections:

- **Introduction** – Provides an overview of the Chief Financial Officer's Report.
- **Canadian GFOA Award for Financial Reporting** - Recognition of high-quality financial reports.
- **Risk Management** - Discussion of risks and risk management strategies.
- **Management Reporting and Control** - Provides an explanation of the planning, budgeting, accounting, auditing and reporting process.
- **Financial Highlights** - Presents a review of the City of Medicine Hat's activities and financial position for the fiscal year ended December 31, 2025. The analysis is supplementary information to the financial statements and therefore should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- **Financial Statements** - Presents the consolidated financial statements, supporting statements, notes and schedules. These statements and schedules contain current year's results with prior year comparatives as well as the approved budget for the operating and capital accounts.



Lola Barta
Interim Managing Director of
Corporate Services/Chief
Financial Officer

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

CANADIAN GFOA AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2024, for the 23rd year in a row. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high-quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

To receive a Canadian Award for Financial Reporting, a government entity must publish an easily readable and efficiently organized annual financial report with contents conforming to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

RISK MANAGEMENT

This section of the report details the City's exposure to risk and uncertainty to enable the reader to make informed judgments about the implications of these risks on the City's financial position.

(a) Enterprise Risk Management

The City approved Policy # 0184 Enterprise Risk Management (ERM) in 2024 which establishes a structured and comprehensive approach to managing risks across the organization. It forms a framework for the systematic identification, assessment, and mitigation of risks across the organization, ensuring alignment with industry standards to support better decision-making and the City's strategic objectives.

The policy ensures that risk management is integrated into all operations, fostering a culture of risk awareness and resilience throughout the organization. A structured framework has been developed to identify and assign risk events to specific enterprise risks, designate executive sponsors and risk owners, and endorse key controls, which demonstrates the City's coordinated efforts to mitigate identified risks. An ERM committee has been formed for continuous oversight to ensure regular monitoring and accountability for enterprise risks. Top risks and emerging trends are regularly reviewed, and updates are provided to Audit Committee.

(b) Operational Risk Management

As a result of a continued desire to maintain a cost-effective insurance program, the City has elected to self-insure certain components to reduce overall premium costs while remaining within the City's risk tolerance. This hybrid risk management strategy combines self-insurance with traditional coverage. The City continues to maintain traditional insurance coverage for the majority of the City's major risk exposures that involve third-party property damage or bodily injury and/or damage to City property (buildings/equipment/vehicles), contributing to long-term sustainability of City assets. To accommodate the self-insured components of the insurance program, a dedicated insurance reserve is maintained (included within the operating reserve) to pay for potential future losses associated with these internally retained risks.

(c) Public Safety

Medicine Hat Police Service continues to keep pace with community growth and the demand for services from residents. The use of technology, equipment and continued training and development of police service personnel ensures public and officer safety.

Fire and Emergency Services provides life and property protection to the community through rapid response to fire or rescue emergency, and natural or man-made disasters. They provide community inspections, education and safety programs and preplanning for disasters and emergencies. Fire and Emergency Services monitors growth patterns and recommends changes and improvements that will

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

provide efficient and effective protection to meet City Council's established response guidelines to all areas of the city. The Fire Service Response Coverage Optimization Plan was implemented in 2013 and resulted in significant response coverage improvements to residents and improved safety for firefighters.

Fire and Emergency Services also operates the 9-1-1 Communications Centre, serving as a single point of contact for allocation of emergency and essential services to the residents of Medicine Hat, Redcliff, County of Forty Mile, Foremost, and Bow Island – a regional population of approximately 77,000 residents. The aim is to maintain a level of service that meets or exceeds industry standards with respect to call answer times, prioritization, and overall protocol compliance.

(d) Treasury Management

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy #0167. In 2015, the City was included by Municipal Affairs in the Major Cities Investment Regulation, which provides access to a broader range of investment opportunities, including publicly traded shares of companies. The regulation expands the investment opportunities for the City's financial reserve funds.

In 2021, the City engaged a consultant to perform a review of its investment portfolio with the objective of assessing the appropriateness of the current asset mix policy and exploring alternative asset mixes while maintaining an appropriate balance between investment return and risk. The recommendation was to transition the City's investment portfolio from significant fixed income exposure to a more diverse portfolio including fixed income, equities, and alternative investments. This new portfolio has been structured to achieve the City's overall long-term objectives of optimizing investment returns through the investment cycle while maintaining an appropriate level of risk; generating sufficient investment returns to cover annual net spending; capital preservation; as well as conforming to all provincial statutes and regulations governing the investment of municipal funds.

Included in investments are internally managed portfolios of investments in money market and fixed income securities. The City also has external investment portfolios managed by third-party investment managers including Addenda Capital, Apollo Global Management, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management, Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management, and Phillips, Hager & North Institutional. These funds are invested across the following asset classes: Canadian & global fixed income and equities, infrastructure, real estate, commercial mortgages, private credit, and currency. These funds are invested in assets permitted by the Major Cities Investment Regulation.

Investment performance is compared to market benchmarks that are replicable, measurable and fair comparisons to the portfolios being measured. The treasury team meets to review the investment portfolio and quarterly activity. A treasury report, complete with performance indicators, is compiled tri-annually and distributed to the Audit Committee and City Council.

In addition, internal control procedures are designed to ensure that the daily handling of cash is managed securely. Each member of the treasury team must sign a disclosure statement to ensure their personal business activities do not conflict with the investment activities of the City.

(d) Environmental

The Environment, Land & Gas Production department provides corporate support and ensures regulatory compliance with regard to environmental matters. The department completes the regulatory activities, supports the operating departments in completing their due diligence with respect to environmental activities, and provides current information on evolving and emerging environmental regulatory requirements. One of the goals is to keep City Council informed of the City's progress in

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

striving for continual improvement in management systems and communication focusing on both compliance and proactive excellence in matters of environmental stewardship.

(e) Market Commodity Prices

The City's revenues are affected by changes in market spot prices for natural gas and oil production and electric generation. The City engages in certain hedging activities to mitigate the impact to revenue from market price changes. Hedging Policy #0159 provides the framework for guiding this risk management activity at the City. This policy outlines a set of triggers that guide hedging activities for each business unit. The hedge programs are designed for the specific requirement and constraints of Medicine Hat and focus on stabilizing the cost of commodities and/or revenues, maintaining reliable supplies for operations/sales, and mitigating financial risk exposure to the City.

MANAGEMENT REPORTING AND CONTROL

The following section describes the planning, reporting and audit process.

Strategic Planning and Budgeting

City Council developed a strategic plan highlighting priorities, strategies, goals and key results for the planning period 2023-2026. Based on the direction set out in the strategic plan, departmental business plans are prepared. These business plans communicate each department's alignment with the strategic plan and identify:

- department mandate and structure
- the core services/programs of the department and key performance indicators,
- significant risks and trends faced by the department, including mitigation plans,
- strategic objectives, rationale, indicators of success and action plans of the department.



Budget guidelines and long-range financial projections are developed. Based on these guidelines and departmental business plans, departments develop their budget requests. City Council has approved the adoption of a two-year operating budget with a two-year projection as well as a two-year capital budget with an eight-year projection.

The Administrative Committee reviews departmental budgets and when satisfied that budgets are aligned with the business plans, the budget recommendation is presented for City Council deliberation and approval.

The operating budget lays out the revenues and expenses for the planning periods that will be required to deliver City services and programs to residents.

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

A ten-year capital plan is developed for all departments. The capital plans identify proposed capital project expenditures and their corresponding sources of funding.

For the 2025-2026 budget period, the City employed a capital ranking process for all departments. This process is intended to ensure that available capital funding is allocated to the projects that will provide the highest value and benefit to the municipality.

(a) Accounting

The City of Medicine Hat manages the accounting function in five core divisions: Corporate Services; Public Services; Development and Infrastructure; Energy, Land and Environment; General Government; as well as Medicine Hat Police Services, which is administered through the Police Act. Each division is responsible for managing the delivery of services in accordance with the resources allocated. All divisions share a common accounting and reporting system. Financial and accounting services are administered under the direction of the Managing Director of Corporate Services and delivered to each division based on requirements.

(b) Auditing

The Municipal Government Act requires municipal councils to appoint an independent auditor. MNP LLP was awarded a one-year Audit Contract in 2023 with an option to extend the engagement annually through 2027, subject to City Council's annual reappointment of auditors. City Council approved MNP LLP's appointment for the 2025 audit.

The role of the external auditor is to present an independent opinion on the fair presentation of the City's financial position and operating results as contained in the financial report, and to express an opinion that the financial statements are free from any material misstatements. The auditor advises management and the Audit Committee of any control or operational matters that may have been identified during the audit.

The Audit Committee, comprised of three members of City Council, is a standing committee of City Council. The Audit Committee mandate includes recommending the appointment of the independent auditor, reviewing the terms of the engagement, and overseeing management's responsibilities for financial reporting. The Audit Committee meets with management and the independent auditors to discuss the scope and timing of the audit, to review the auditor's findings and to ensure that management is carrying out its responsibilities.

Financial progress is reported to the Audit Committee throughout the year on a tri-annual basis. These progress updates examine financial performance relative to approved budgets and forecast updates.

FINANCIAL HIGHLIGHTS

Financial Trend Summary 2025

The financial data below provides an overview of key financial information over the past year with prior year comparatives. Readers should review this report in conjunction with the accompanying *Consolidated Financial Statements and Note Disclosures* located on the City's website at: <https://www.medicinehat.ca/government/publications-plans-reports/financial-reports>.

In 2025 the City experienced higher than expected annual surplus despite the external impact of continued inflationary pressures, market volatility impacting commodity prices, and the Government of Alberta reduction in municipal funding. The higher surplus is primarily due to increased investment income due to higher returns and the recognition of gains as a result of rebalancing the portfolio.

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

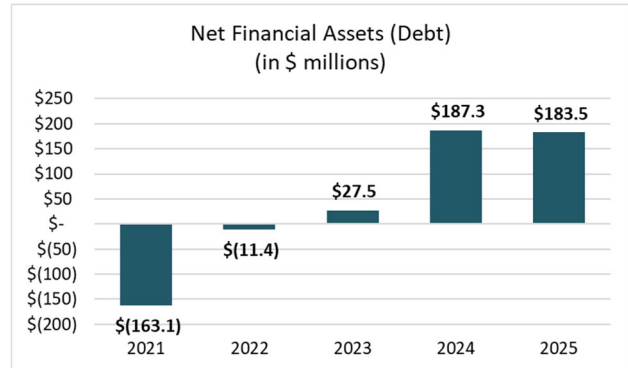
In 2025 the City's municipal budget anticipated an \$11.1 million gap which was funded through financial reserves to achieve a balanced budget. As a result of higher than budgeted investment earnings, municipal operations ended the year with a surplus of \$10.5M, which was transferred to the operating (investment income) reserve. These funds have been set in reserves to offset any future investment losses that may occur. The City continues to focus its efforts on identifying strategic opportunities including revenue growth, cost containment, service level clarity and related adjustments, and leveraging technology and digital innovation to reduce its reliance on the financial reserves to achieve a balanced budget.

As a result of the declining gas and oil commodity prices over the past few years, the City decided to accelerate the abandonment and reclamation of its uneconomic oil and gas properties. The budgeted cost of the program is expected to be \$125 million to be financed through a combination of working capital and reserves (\$45 million) and debenture borrowing (\$80 million). As of year-end 2025 the accelerated abandonment program is substantially complete with almost 2,100 wells fully abandoned and under reclamation. Technical and logistical issues continue to be examined for the remaining wells in the program and abandonment will occur as these issues are resolved. The program ensures the City is fostering the wellbeing of the environment by safely meeting end of life obligations for its energy development activities.

Financial Summary

In 2025, net financial assets declined compared to 2024. Although financial investments grew due to higher investment returns, liabilities also increased due to the issuance of new long-term debt and higher asset retirement obligations stemming from the recognition of power generation related liabilities during the year. Net financial assets have continued to rise steadily over the past five years, driven primarily by growth in financial investments and reductions in gas production asset retirement obligations.

<i>In thousands of dollars</i>		
Consolidated Financial Position	2025	2024
Assets	\$ 907,515	\$ 822,286
Liabilities	724,008	634,991
Net financial assets	183,507	187,295
Non-financial assets	48,646	55,980
Net tangible capital assets	1,509,289	1,444,919
Total non-financial assets	1,557,935	1,500,899
Accumulated surplus	\$1,741,442	\$ 1,688,194



<i>In thousands of dollars</i>		
Consolidated Operating	2025	2024
Revenue	\$ 436,033	\$ 428,482
Expenses	420,634	314,546
Subtotal	15,399	113,936
Other revenue	24,498	31,412
Annual Surplus	\$ 39,897	\$ 145,348

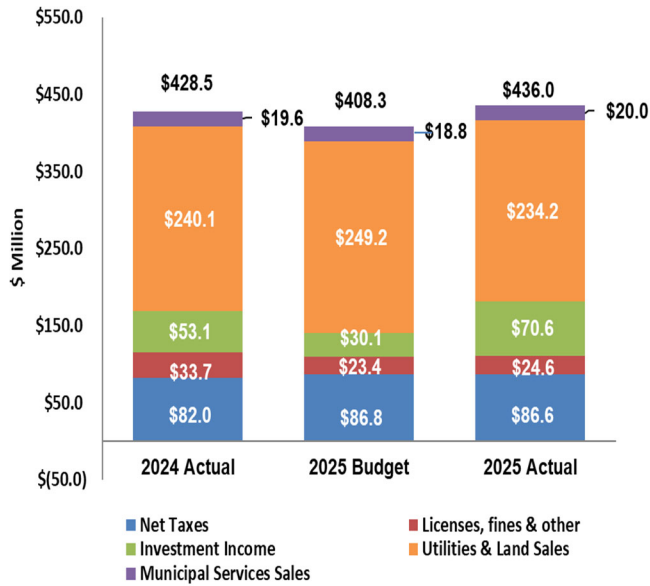
The 2025 annual surplus was \$39.9 million primarily related to higher investment income. However, this is less than the prior year primarily due to a large recovery being recognized in 2024 for oil & gas assets.

Other revenue represents capital contributions and grant funding used for various capital projects such as building rehabilitations; pedestrian trails and bridge rehabilitation; sidewalk, roads and storm sewer rehabilitation; wastewater treatment facility; and sub-division development.

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

Revenues



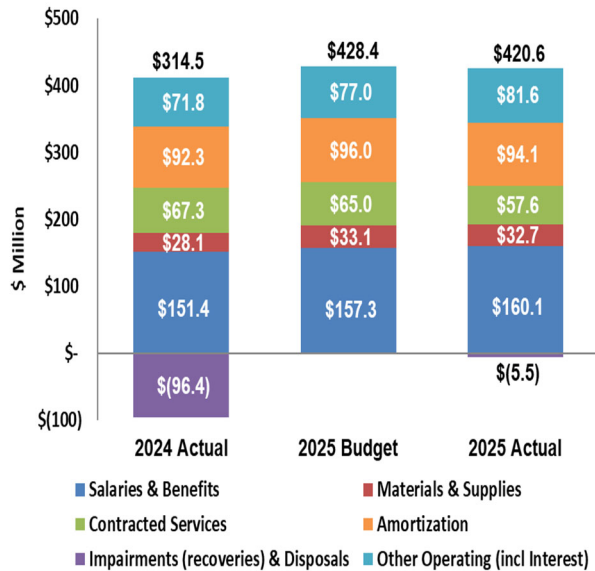
Revenue before capital contributions and grants was \$27.7 million higher than budget (\$436.0 million versus budget of \$408.3 million). This is mainly due to higher than budgeted investment income (\$40.5 million) due to better than anticipated market performance as well as recognition of gains as a result of rebalancing the portfolio. In addition, higher than anticipated land sales occurred throughout 2025 on residential lots (\$2.9 million). This is offset by lower revenue in energy production as a result of lower electric revenues of \$10.3 million and lower gas revenues of \$8.4 million related to lower commodity prices.

Revenues in 2025 are higher than 2024 revenues by \$7.6 million primarily due to higher investment income offset by lower electric commodity prices.

Expenses

The Consolidated Schedule of Expenses by Object details 2025 actual (\$420.6 million) and budget (\$428.4 million) by expense type. Variances from budgets is primarily related to less spending in contracted and general services due to more work being done internally. In addition, there was a \$5.5 million recovery (write-up) in oil and gas assets which was not budgeted.

The 2025 actual expenses are higher than 2024 primarily due to recognizing a \$96.4 million recovery (write-up) in 2024 on oil and gas assets. Salaries and wages also increased due to additional staffing required to maintain service levels and to fill previously vacant positions. More work is being completed internally, which has contributed to higher wage costs and reduced reliance on contracted services compared to the prior year.



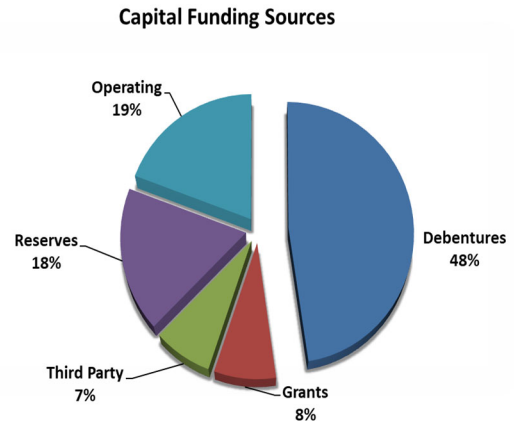
CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

Capital Expenditures

The City's approved 2025 budget for capital items was \$100.1 million. Actual capital expenditures for the year were \$96.1 million plus contributions from developers of \$11.5 million. The current year expenditures also include \$63.8 million for projects carried forward from previous budget years.

The 2025 capital expenditures were funded by grants received from the Province of Alberta and the Federal Government of Canada, as well as debentures, financial reserves, operating funds, and third-party contributions.

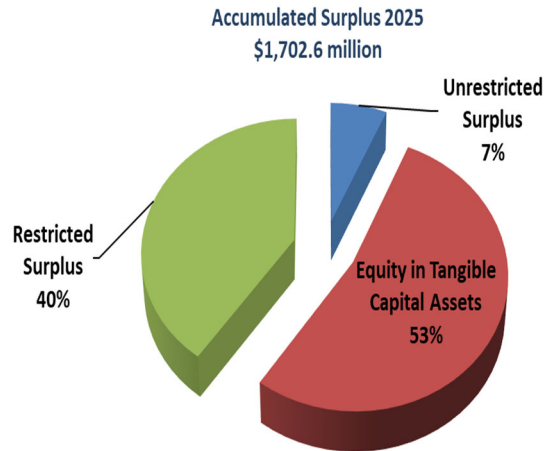


Accumulated Surplus

The accumulated surplus on the Consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2025, the consolidated fund and equity balances increased by \$39.9 million to \$1,702.6 million.

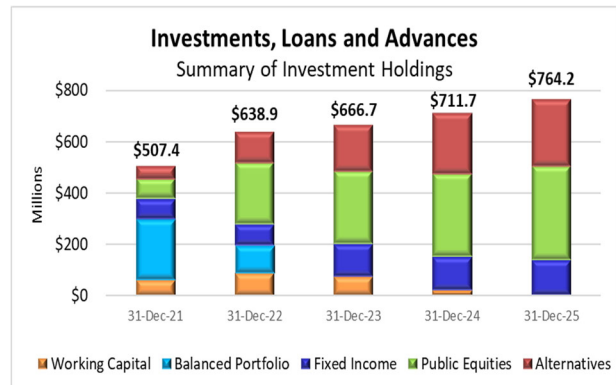
\$111.8 million of the accumulated surplus is unrestricted. This unrestricted amount is used as working capital to fund day to day operating activities of the City. The restricted amount is \$686.1 million and is largely dedicated to capital activities of the organization and the Medicine Hat Endowment Fund.

Equity in the City's tangible capital assets decreased by \$39.4 million to \$904.7 million this year primarily as a result of the recognition of energy generation asset retirement obligations and the increase in long-term debt borrowing on capital projects.



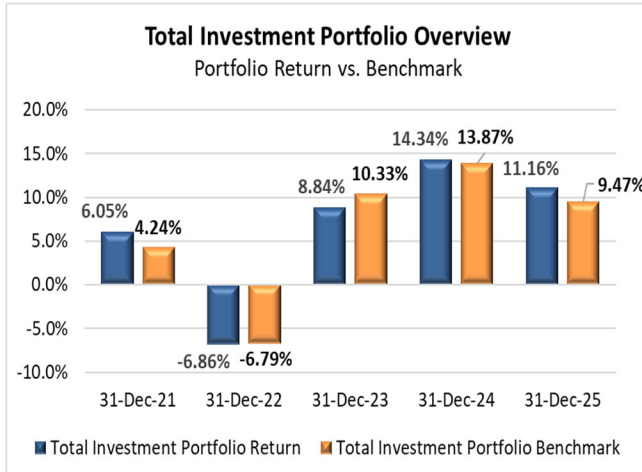
Investments

Investments, loans and advances increased \$52.5 million from 2024 to \$764.2 million largely due to better market performance throughout 2025.



CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025



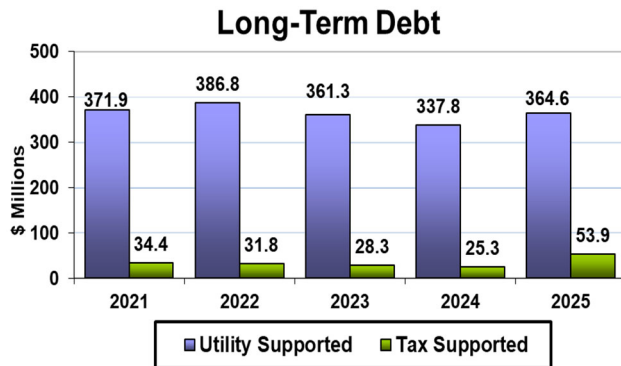
The City of Medicine Hat generated a total investment portfolio return of 11.16% for the year ended December 31, 2025, which is 1.69% higher than the corresponding benchmark of 9.47%.

In 2021, the City approved an update to the Investment Policy to include a new strategic asset allocation consisting of public equities, fixed income, working capital, and alternatives. It is expected that the new investment portfolio asset allocation will earn an average nominal return of 5.5% annually measured over a rolling five-year period. The transition to the new asset allocation is a long-term strategy to optimize the risk-return ratio for the City.

Long-Term Debt

During 2025, total long-term debt increased \$55.4 million to \$418.5 million as a result of debt issued of \$80.6 million and principal repayments of \$25.2 million.

The Minister of Municipal Affairs has prescribed limits for total debt and debt servicing for municipalities in the province. The debt limit is defined as two times revenue, net of government transfers, and debt servicing is limited to 35% of revenue, net of capital government transfers. For the purpose of these calculations, actual total debt includes long-term debt as well as loan guarantees in the amount of \$0.9 million, credit card debt of \$0.5 million, and letters of credit issued of \$45.4 million.



The City's 2025 debt limits are as follows:

(in millions of dollars)	2025	
Debt Limit	\$ 872.1	
Actual Total Debt	465.3	53%
AMOUNT UNDER LIMIT	\$ 406.8	
Debt Servicing Limit	\$ 152.6	
Actual Debt Servicing	\$ 37.6	25%
AMOUNT UNDER LIMIT	\$ 115.0	

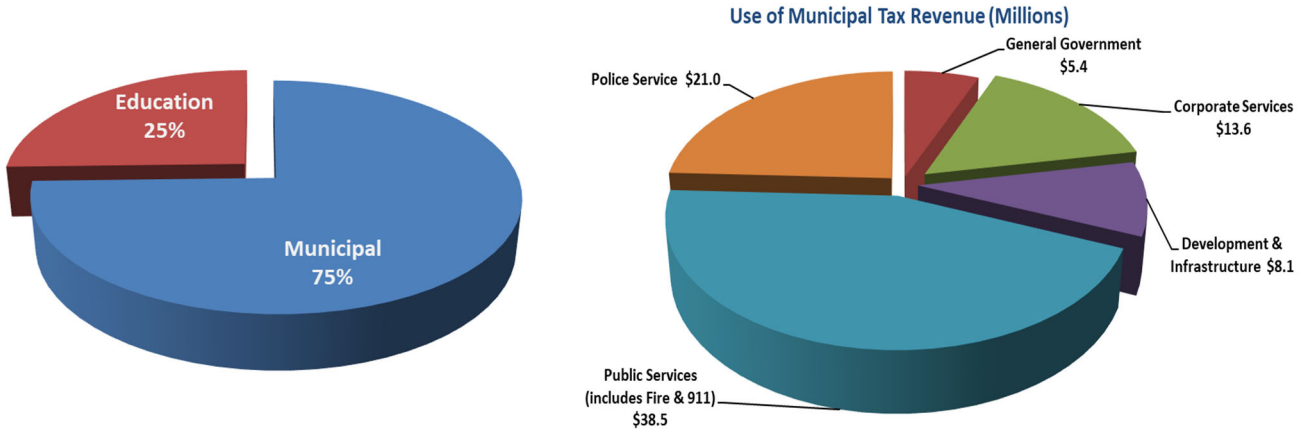
CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

Use of Municipal Tax Revenue

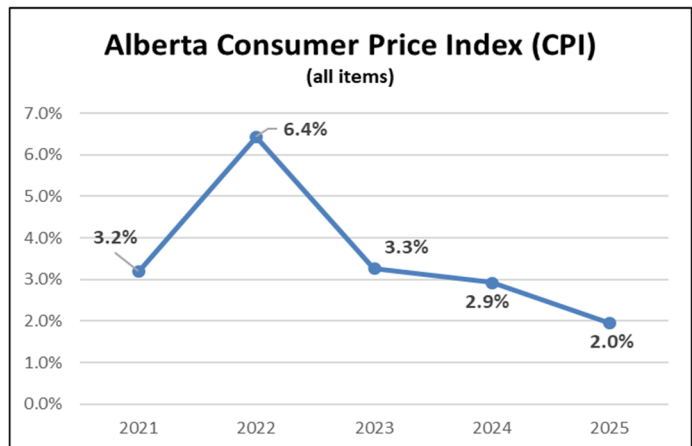
Net municipal property tax revenue of \$86.6 million is used to fund the consolidated general fund operating expenses of \$218.2 million. Other revenue sources mainly include investment income, sales of services, government grants, fees and permits.

Where our municipal property tax dollars went in 2025.



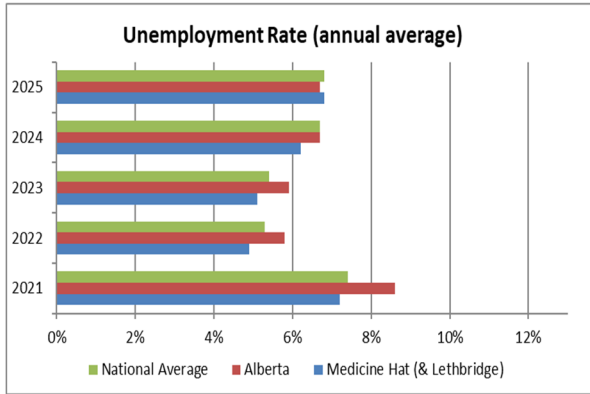
Economic Indicators

Over the past five years, Alberta has experienced slower Consumer Price Index (CPI) growth as housing costs have risen more moderately than in other provinces due to stronger supply and less pressure on rents and home prices. Price increases for goods have also eased as supply chain conditions normalized following earlier disruptions from the pandemic. Additionally, food inflation has moderated from prior highs, contributing to more subdued overall price growth across the province.



CHIEF FINANCIAL OFFICER'S REPORT

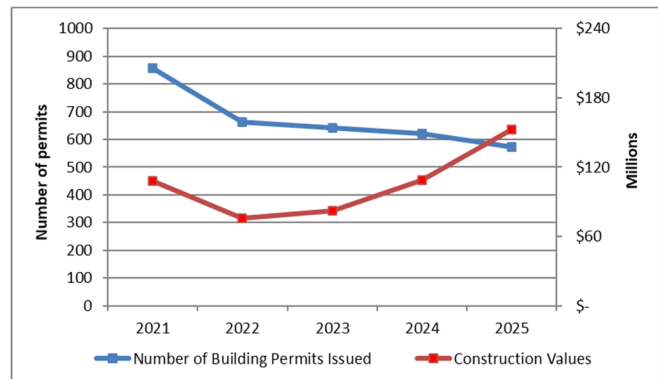
FOR THE YEAR ENDED DECEMBER 31, 2025



The combined unemployment rate for the Medicine Hat and Lethbridge region at the end of 2025 was 6.3%, while the 2025 average was 6.8%. The average Alberta and Canada unemployment rates were 6.7% and 6.8%, respectively. Local increases reflect labour force growth outpacing available jobs, most likely influenced by shifting immigration policy and a broader economic slowdown.

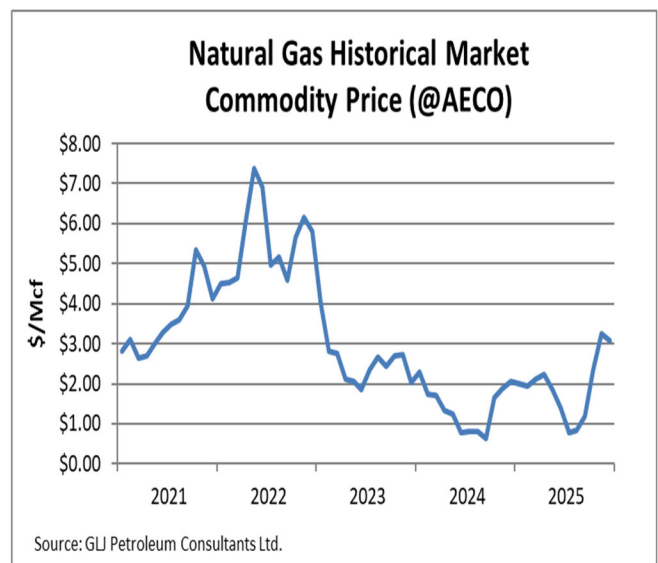
Number of Building Permits Issued and Related Construction Values

In 2025, the number of building permits issued decreased to 574 primarily due to a decrease in new development. The related estimated value of construction in 2025 saw an increase from prior year to \$152 million due to higher construction values.



Gas

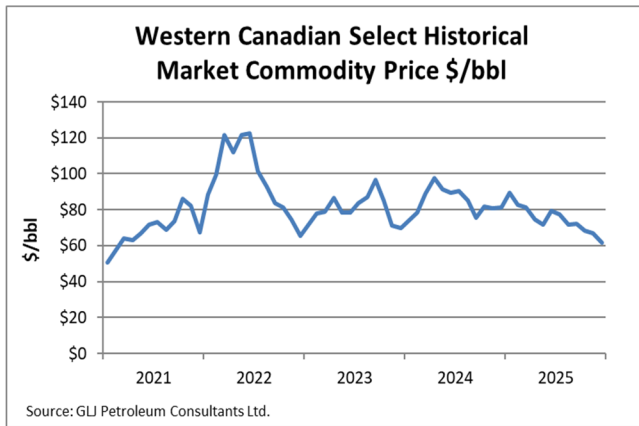
Natural gas prices for 2025 averaged \$1.61/GJ, which is higher than last year but still below historical norms. A record low price of \$0.33/GJ occurred in September due to an oversupplied market and limited pipeline capacity caused by outages and constraints in the Fort McMurray region. Overall, Alberta's natural gas pricing remains heavily influenced by regional pipeline bottlenecks and restricted egress. While the introduction of LNG Canada represents an important step toward expanding market access, sustained price recovery above \$3.00/GJ will require additional takeaway capacity beyond what is currently available. Until further infrastructure is in place, in-province demand alone will not be sufficient to support materially higher price levels, and pricing is expected to remain sensitive to transportation constraints.



CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

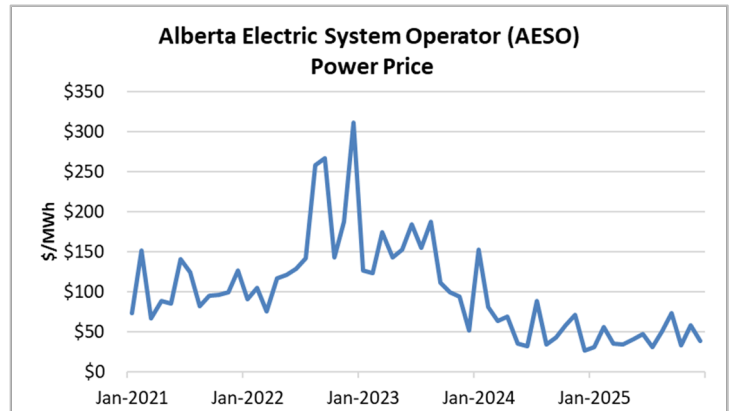
Oil



Oil prices have declined slightly in 2025 but have remained stable compared to the fluctuations seen in prior years. With political unrest in the Middle East and South America, oil prices have seen extreme volatility in the beginning of 2026. Market sentiment is for oil prices to settle back to the \$65-\$70/bbl range. City of Medicine Hat has limited oil exposure. There are only two remaining oil wells in service as the Manyberries field is currently in the abandonment and reclamation stage.

Power

Power prices in 2025 continued to trend lower and are trending back to 2016 price levels. System Marginal Price (SMP) ended 2025 at \$43.68/MWh which is a \$19.06/MWh drop from 2024. The additions of renewable generation, coupled with other supply sources out paced new demand. Alberta is currently in a state of potential demand growth with lower power prices than most other jurisdictions in North America. Forward forecasts are showing a slight price movement but should stay in the \$45-\$60/MWh range in 2026.



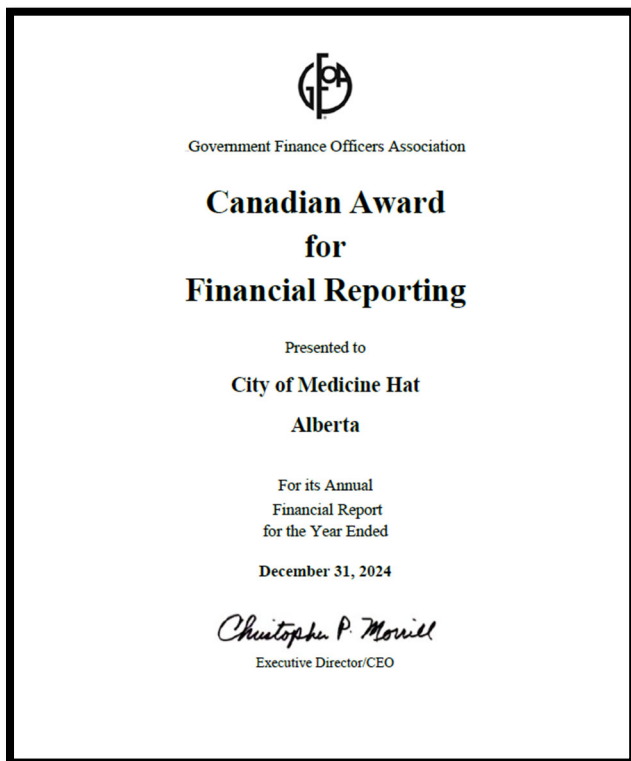
Financial Statements and Notes

Government Finance Officers Association Awards

The City of Medicine Hat has provided award winning financial reporting for the past 23 years.

The Canadian Award for Financial Reporting Program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. Its attainment represents a significant accomplishment by a municipal government and its management.

GFOA also provides a Distinguished Budget Presentation Award to municipalities that prepare high-quality budget documents and strive to improve budget transparency in their community. To earn recognition, budget documents must meet program criteria and excel as a policy document, financial plan, operations guide, and communication tool. The City of Medicine Hat received the Distinguished Budget Presentation Award for its two-year budget cycle (2025 - 2026).



Management's Responsibility for Reporting

For the Year Ended December 31, 2025

The City of Medicine Hat's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the City's financial position as at December 31, 2025 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The City Council carries out its responsibilities for review of the consolidated financial statements principally through its Audit Committee. This committee meets regularly with management and external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of management. The City Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by the independent firm of MNP LLP, Chartered Accountants. Their report to Her Worship the Mayor with the members of Council of the City of Medicine Hat, outlines the scope of their examination and provides their opinion on the consolidated financial statements.

City Manager

April 20, 2026

Chief Financial Officer

To the Members of Council of City of Medicine Hat:

Opinion

We have audited the consolidated financial statements of City of Medicine Hat 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 gains and losses, net financial assets (debt) and cash flows for the year then ended, and notes and schedules 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, consolidated net financial assets (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.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is included within the 2025 Financial Report information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management 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 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.

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 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Medicine Hat, Alberta

April 23, 2026

MNP LLP
Chartered Professional Accountants



CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2025
(in thousand of dollars)

	2025 ACTUAL	2024 ACTUAL
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 76,375	\$ 42,058
Accounts receivable, net of allowances (Note 3)	56,914	53,968
Investments, loans and advances (Note 4)	764,153	711,720
Land and other assets held for resale (Note 5)	7,887	10,691
Inventories for resale (Note 6)	152	106
Deposits (Note 7)	2,034	3,743
TOTAL FINANCIAL ASSETS	907,515	822,286
LIABILITIES		
Trade accounts payable	26,037	45,535
Accrued liabilities (Note 8)	21,366	24,439
Deferred revenue & government transfers (Note 9)	34,041	27,961
Long-term debt (Note 11)	418,502	363,118
Asset retirement obligation (Note 12)	186,084	137,672
Other long-term liabilities (Note 13)	37,978	36,266
TOTAL LIABILITIES	724,008	634,991
NET FINANCIAL ASSETS	183,507	187,295
NON-FINANCIAL ASSETS		
Inventories for consumption	20,860	19,086
Prepaid assets	9,048	17,913
Land held for future development (Note 14)	18,738	18,981
Tangible capital assets (Schedule 1) (Note 15)	1,509,289	1,444,919
TOTAL NON-FINANCIAL ASSETS	1,557,935	1,500,899
ACCUMULATED SURPLUS	\$ 1,741,442	\$ 1,688,194
ACCUMULATED SURPLUS CONSISTS OF THE FOLLOWING:		
Accumulated operating surplus (Note 16)	1,702,646	1,662,749
Accumulated remeasurement gains	38,796	25,445
TOTAL ACCUMULATED SURPLUS	\$ 1,741,442	\$ 1,688,194

Commitments, operating and capital (Notes 20 and 22)
Contingent asset and liabilities (Note 23)
Contractual rights (Note 24)

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

CONSOLIDATED
STATEMENT OF OPERATIONS
For the year ended December 31, 2025
(in thousands of dollars)

	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
REVENUE (Schedule 4)			
MUNICIPAL TAXES (Schedule 2)	\$ 86,815	\$ 86,634	\$ 81,988
SALE OF SERVICES			
General Government	18,750	20,022	19,606
Gas	34,017	25,597	22,990
Electric	151,238	140,948	155,573
Water	27,156	27,579	24,783
Sewer	24,491	24,659	24,160
Solid Waste	9,041	9,207	10,352
Land	3,279	6,184	2,282
OTHER INCOME			
Investment income	30,094	70,599	53,140
Licenses, fines and penalties	5,172	6,039	5,351
Insurance recovery	25	359	333
Development levies	900	798	1,058
Government transfers for operating (Schedule 3)	8,339	7,676	7,984
Other	8,983	9,732	18,882
TOTAL REVENUE	408,300	436,033	428,482
EXPENSES (Schedule 4 and Schedule 5)			
General Government	226,247	218,168	210,972
Gas	70,653	75,160	(24,817)
Electric	84,398	81,407	86,429
Water	20,864	19,986	18,038
Sewer	15,648	15,395	15,255
Solid Waste	6,034	6,957	7,385
Land	4,520	3,561	1,284
TOTAL EXPENSES	428,364	420,634	314,546
EXCESS OF REVENUE OVER EXPENSES			
- BEFORE OTHER REVENUE	(20,064)	15,399	113,936
OTHER REVENUE (Schedule 4)			
Contributed tangible capital assets	-	11,537	1,195
Government transfers for capital	18,073	12,961	30,217
TOTAL OTHER REVENUE	18,073	24,498	31,412
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	(1,991)	39,897	145,348
ACCUMULATED OPERATING SURPLUS, BEGINNING OF YEAR	1,662,749	1,662,749	1,517,401
ACCUMULATED OPERATING SURPLUS, END OF YEAR	\$ 1,660,758	\$ 1,702,646	\$ 1,662,749

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

CONSOLIDATED
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)
For the year ended December 31, 2025
(in thousands of dollars)

	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
ANNUAL SURPLUS (DEFICIT) FROM OPERATIONS	\$ (1,991)	\$ 39,897	\$ 145,348
Amortization of tangible capital assets	88,089	84,574	84,605
Change in estimate - asset retiremet obligation	-	(38,881)	115,326
Recoveries	-	(5,469)	(96,419)
Loss on disposal of tangible capital assets	-	2,081	802
Developers contribution of tangible capital assets	-	(11,537)	(1,195)
Acquisition of tangible capital assets	(110,114)	(96,051)	(112,790)
Proceeds from sale of tangible capital assets	-	877	515
	<u>(24,016)</u>	<u>(24,509)</u>	<u>136,192</u>
Acquisition of inventories and supplies	(29,279)	(29,279)	(7,790)
Net acquisition (disposition) of land held for future development	469	279	(1,735)
Acquisition of prepaid assets	(12,332)	(12,332)	(20,554)
Consumption of inventories and supplies	27,505	27,505	7,337
Use of prepaid assets	21,196	21,197	6,338
Accumulated remeasurement gains	-	13,351	39,975
	<u>7,559</u>	<u>20,721</u>	<u>23,571</u>
DECREASE (INCREASE) IN NET FINANCIAL DEBT	(16,457)	(3,788)	159,763
NET FINANCIAL ASSETS, BEGINNING OF YEAR	187,295	187,295	27,532
NET FINANCIAL ASSETS, END OF YEAR	<u>\$ 170,838</u>	<u>\$ 183,507</u>	<u>\$ 187,295</u>

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

CONSOLIDATED
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
For the year ended December 31, 2025
(in thousands of dollars)

	2025 ACTUAL	2024 ACTUAL
ACCUMULATED REMEASUREMENT GAINS (LOSSES) BEGINNING OF THE YEAR	\$ 25,445	\$ (14,530)
UNREALIZED GAINS (LOSSES) ATTRIBUTABLE TO:		
Foreign exchange	(5,715)	11,122
Short-term investments		
Investments	2,968	(9,890)
Long-term investments		
Designated fair value	2,175	1,255
Equity instruments	49,255	73,596
	<u>48,683</u>	<u>76,083</u>
REALIZED (GAINS) LOSSES, RECLASSIFIED TO THE STATEMENT OF OPERATIONS:		
Foreign exchange	391	336
Short-term investments	76	(1,114)
Long-term investments	(35,799)	(35,330)
	<u>(35,332)</u>	<u>(36,108)</u>
NET CHANGE IN REMEASUREMENT GAINS FOR THE YEAR	13,351	39,975
ACCUMULATED REMEASUREMENT GAINS, END OF THE YEAR	<u>\$ 38,796</u>	<u>\$ 25,445</u>

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

CONSOLIDATED
STATEMENT OF CASH FLOWS
For the year ended December 31, 2025
(in thousands of dollars)

	2025 ACTUAL	2024 ACTUAL
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Surplus from operations	\$ 39,897	\$ 145,348
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	84,574	84,605
Change in estimate - asset retirement obligation	(38,881)	115,326
Recoveries	(5,471)	(96,419)
Loss on disposal of tangible capital assets	2,081	802
Developers contribution of tangible capital assets	(11,537)	(1,195)
Non-cash items relating to capital and investing activities:		
Unrealized gain (loss) on financial instruments	13,351	39,975
Non-cash changes to operations (net change):		
Increase in accounts receivable	(2,946)	(2,172)
Decrease (increase) in land and other assets held for resale	2,840	(672)
Decrease (increase) in inventories for resale	(46)	38
Increase in deposits	1,709	1,289
Increase (decrease) in trade accounts payable	(19,498)	15,055
Increase (decrease) in accrued liabilities	(3,073)	3,139
Increase (decrease) in deferred revenue & government transfers	6,080	(17,087)
Increase (decrease) in asset retirement obligations	48,412	(116,896)
Increase in other long-term liabilities	1,712	4,498
Increase in inventories for consumption	(1,774)	(453)
Decrease (increase) in prepaid assets	8,865	(14,216)
Decrease (increase) in land held for future development	243	(1,421)
CASH PROVIDED BY OPERATING TRANSACTIONS	126,538	159,544
CAPITAL		
Acquisition of tangible capital assets	(96,051)	(112,790)
Proceeds from sale of tangible capital assets	877	515
CASH APPLIED TO CAPITAL TRANSACTIONS	(95,174)	(112,275)
INVESTING		
Increase in investments, loans and advances	(52,433)	(45,061)
CASH APPLIED TO INVESTING TRANSACTIONS	(52,433)	(45,061)
FINANCING		
Long-term debt issued and assumed	80,556	-
Long-term debt repaid	(25,172)	(26,536)
CASH PROVIDED BY FINANCING TRANSACTIONS	55,384	(26,536)
CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR	34,315	(24,328)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	42,058	66,386
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 76,373	\$ 42,058

The accompanying notes are on integral part of these financial statements

CONSOLIDATED

Schedule 1

SCHEDULE OF TANGIBLE AND LONG-LIVED CAPITAL ASSETS

For the year ended December 31, 2025

(in thousands of dollars)

	LAND	LAND IMPROVEMENTS	BUILDINGS	ENGINEERED STRUCTURES	GAS & OIL PROPERTIES	MACHINERY, EQUIPMENT & FURNISHINGS	VEHICLES	2025	2024
COST:									
BALANCE, BEGINNING OF YEAR	\$ 48,949	\$ 182,319	\$ 420,959	\$ 1,717,998	\$ 750,636	\$ 145,464	\$ 59,327	\$ 3,325,652	\$ 3,236,597
Asset reclassification	-	-	(4,141)	982	-	3,155	-	(4)	-
Acquisition of tangible capital assets	459	6,537	4,687	54,903	(47)	5,667	1,088	73,294	81,428
Construction-in-progress	-	4,761	5,234	21,017	33	351	2,898	34,294	34,312
Reclassify to held for sale	-	-	-	-	-	-	-	-	(1,755)
Disposal of tangible capital assets	(4)	(781)	(328)	(41,010)	-	(2,225)	(1,108)	(45,456)	(6,337)
Recoveries of tangible capital assets	-	-	-	-	5,432	-	-	5,432	96,733
Change in estimate - asset retirement obligations	-	-	337	57,780	(19,236)	-	-	38,881	(115,326)
BALANCE, END OF YEAR	\$ 49,404	\$ 192,836	\$ 426,748	\$ 1,811,670	\$ 736,818	\$ 152,412	\$ 62,205	\$ 3,432,093	\$ 3,325,652
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	\$ -	\$ 91,526	\$ 150,076	\$ 816,803	\$ 688,358	\$ 95,605	\$ 38,365	\$ 1,880,733	\$ 1,801,148
Annual amortization	-	8,231	11,080	48,685	4,353	8,932	3,288	84,569	84,605
Accumulated amortization on disposals	-	(781)	(328)	(39,376)	-	(1,231)	(782)	(42,498)	(5,020)
BALANCE, END OF YEAR	\$ -	\$ 98,976	\$ 160,828	\$ 826,112	\$ 692,711	\$ 103,306	\$ 40,871	\$ 1,922,804	\$ 1,880,733
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Note 15)	\$ 49,404	\$ 93,860	\$ 265,920	\$ 985,558	\$ 44,107	\$ 49,106	\$ 21,334	\$ 1,509,289	\$ 1,444,919
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS (Note 15)	\$ 48,949	\$ 90,793	\$ 270,883	\$ 901,195	\$ 62,278	\$ 49,859	\$ 20,962	\$ 1,444,919	

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

CONSOLIDATED

Schedule 2

**SCHEDULE OF MUNICIPAL TAXES
For the year ended December 31, 2025***(in thousands of dollars)*

	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
TAXATION			
Real property taxes	\$ 117,179	\$ 116,977	\$109,269
Linear property taxes	601	625	628
Special assessments and local improvement taxes	248	267	224
	<hr/> 118,028	<hr/> 117,869	<hr/> 110,121
REQUISITIONS			
Alberta School Foundation	25,410	25,435	22,780
Catholic Board of Education	4,519	4,519	4,045
Cypress View Foundation	1,250	1,251	1,276
Designated Industrial Property	34	30	32
	<hr/> 31,213	<hr/> 31,235	<hr/> 28,133
MUNICIPAL TAXES	<hr/> \$ 86,815	<hr/> \$ 86,634	<hr/> \$ 81,988

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

CONSOLIDATED **Schedule 3**
SCHEDULE OF GOVERNMENT TRANSFERS
For the year ended December 31, 2025
(In thousands of dollars)

	2025			2024
	PROVINCIAL	FEDERAL	TOTAL	
UNCONDITIONAL OPERATING TRANSFERS				
Payment in place of taxes	\$ 1,142	\$ 93	\$ 1,235	\$ 943
CONDITIONAL OPERATING				
Active Transportation Fund	-	-	-	18
Alberta Community Partnership (ACP)	54	-	54	127
Alberta Foundation of the Arts Travelling Exhibition Program	250	-	250	223
Alberta Health - SafeLink Alberta Society (Needle Debris Mitigation)	54	-	54	54
Alberta Labour Market Partnership Program (LMPP)	5	-	5	57
Alberta Municipalities - Alberta Day	-	-	-	10
Alberta Museums Association	25	-	25	25
Alberta Recycling Management Grant	12	-	12	-
Alberta Regional Airport Development	-	-	-	150
All Hazards Incident Management Team (AHIMT)	30	-	30	16
Canada Arts Presentation Fund	-	-	-	48
Canada Council for the Arts	-	60	60	60
Canadian Council of Archives	-	9	9	9
Canadian Heritage Grant	-	168	168	23
Canadian Museums Association	-	12	12	13
CanExport Community Investments (CECI)	-	41	41	-
Employment and Social Development Canada Grant (ESDC)	-	17	17	-
Fair Entry - Low Income Transit Pass	445	-	445	175
Family and Community Support Services (FCSS)	1,671	-	1,671	1,671
Innovation and Clean Growth in the Natural Resources Sectors - Energy Innovation Program (EIP NRCan)	-	60	60	-
Federation of Canadian Municipalities - Green Municipal Fund	-	18	18	56
Federation of Canadian Municipalities - Growing Canada's Community Canopies	-	28	28	-
Fire Services Training Grant	-	-	-	10
Local Government Fiscal Framework (LGFF)	834	-	834	834
Municipal Policing Assistance	1,412	-	1,412	1,412
Municipal Sustainability Initiative Operating (MSIO)	-	-	-	789
Northern and Regional Economic Development Program (NRED)	71	-	71	180
Police Services Data Enhancement Grant	30	-	30	-
Settlement, Integration, and Language Program (SILP)	173	-	173	87
Victims of Crime Fund Grant	257	-	257	278
Wind Power Development	-	-	-	3
Young Canada Works	8	-	8	8
911 Mobility Grant	697	-	697	705
	7,170	506	7,676	7,984
CONDITIONAL CAPITAL				
Canada Community-Building Fund (CCBF)	3,136	-	3,136	6,088
Climate Change & Emissions Management Corp (CCEMC)	36	-	36	139
Federal Small Communities Fund (SCF)	-	-	-	400
Innovation and Clean Growth in the Natural Resources Sectors - Energy Innovation Program (EIP NRCan)	-	-	-	80
Investing in Canada Infrastructure Program (ICIP)	-	10	10	112
Local Government Fiscal Framework (LGFF)	6,364	-	6,364	5,109
Municipal Climate Change Action Center (MCCAC)	467	-	467	(8)
Municipal Sustainability Initiative (MSI)	2,948	-	2,948	18,297
	12,951	10	12,961	30,217
TOTAL GOVERNMENT TRANSFERS	\$ 20,121	\$ 516	\$ 20,637	\$ 38,201

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

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURES (Note 26)

Schedule 4

For the year ended December 31, 2025

(in thousands of dollars)

	TAX SUPPORTED	RESERVE FUND	GAS UTILITY	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	SOLID WASTE UTILITY	LAND	CONSOLIDATED ADJUSTMENTS	2025 CONSOLIDATED
REVENUE										
Municipal taxes	\$ 92,083	\$ -	\$ -	\$ -	\$ 121	\$ 121	\$ -	\$ -	\$ (5,691)	\$ 86,634
Sales of services	20,022	-	47,490	146,773	28,101	25,135	9,341	6,184	(28,850)	254,196
Investment income	70,599	-	-	-	-	-	-	-	-	70,599
Licenses, fines and penalties	6,039	-	-	-	-	-	-	-	-	6,039
Insurance recovery	352	-	-	-	-	-	7	-	-	359
Development levies	120	-	218	460	-	-	-	-	-	798
Government transfers for operating	7,601	-	63	-	-	-	12	-	-	7,676
Other	7,989	-	275	(904)	202	105	(376)	827	1,614	9,732
Internal recoveries	26,321	-	179	2,448	2,021	19	2,994	130	(34,112)	-
Contribution from reserves ¹	5,000	230,819	30,039	675	4,226	-	-	-	(270,759)	-
Transfer from Utilities and Land	3,150	-	-	-	-	-	-	-	(3,150)	-
	239,276	230,819	78,264	149,452	34,671	25,380	11,978	7,141	(340,948)	436,033
EXPENSES										
Salaries, wages and benefits	119,374	-	5,673	18,212	7,704	4,937	3,401	786	-	160,087
Contracted and general services	37,510	-	5,663	10,896	1,001	563	1,511	417	-	57,561
Materials, goods and utilities	11,550	-	1,174	13,983	1,962	1,832	109	5,503	(3,462)	32,651
Provisions for allowances	30	-	334	123	38	32	17	-	-	574
Bank charges and short term interest	355	-	112	4	-	-	7	33	-	511
Interest on long-term debt	1,446	-	1,146	4,174	2,852	3,059	24	-	-	12,701
Total grants and other transfers	6,518	-	-	-	-	-	-	-	-	6,518
Other operating expenses	1,089	-	51,783	6,413	24	7	-	-	-	59,316
Amortization of tangible capital assets	39,989	-	6,700	25,182	6,376	4,690	1,316	321	-	84,574
Impairments/ (recoveries)	-	-	(5,434)	-	-	-	-	(37)	-	(5,471)
Loss on disposal of tangible capital assets	229	-	194	1,156	23	273	206	-	-	2,081
Accretion on asset retirement obligations	78	-	7,815	1,264	6	2	366	-	-	9,531
Internal charges and transfers	6,821	-	7,987	35,009	5,794	5,271	5,209	876	(66,967)	-
Contribution to reserves ¹	165,884	42,940	1,867	52,233	-	3,473	2,280	5,082	(273,759)	-
	390,873	42,940	85,014	168,649	25,780	24,139	14,446	12,981	(344,188)	420,634
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES										
	\$ (151,597)	\$ 187,879	\$ (6,750)	\$ (19,197)	\$ 8,891	\$ 1,241	\$ (2,468)	\$ (5,840)	\$ 3,240	\$ 15,399
OTHER										
Contributed assets	\$ 8,545	\$ -	\$ (1,794)	\$ 115	\$ 3,349	\$ 1,322	\$ -	\$ -	\$ -	\$ 11,537
Government transfers for capital	10,212	-	-	36	2,713	-	-	-	-	12,961
TOTAL OTHER	18,757	-	(1,794)	151	6,062	1,322	-	-	-	24,498
ANNUAL OPERATING SURPLUS (DEFICIT)										
	\$ (132,840)	\$ 187,879	\$ (8,544)	\$ (19,046)	\$ 14,953	\$ 2,563	\$ (2,468)	\$ (5,840)	\$ 3,240	\$ 39,897

1. For the yearend December 31, 2025, unrestricted reserve amounts previously held in the tax supported fund were moved to the corporate reserve fund.

The accompany notes are an integral part of these financial statements.

CONSOLIDATED SCHEDULE OF SEGMENTED DISCLOSURES (Note 26)

Schedule 4

For the year ended December 31, 2024

(in thousands of dollars)

	TAX SUPPORTED	RESERVE FUND	GAS UTILITY	ELECTRIC UTILITY	WATER UTILITY	SEWER UTILITY	SOLID WASTE UTILITY	LAND	CONSOLIDATED ADJUSTMENTS	2024 CONSOLIDATED
REVENUE										
Municipal taxes	\$ 87,287	\$ -	\$ -	\$ -	\$ 113	\$ 113	\$ -	\$ -	\$ (5,525)	\$ 81,988
Sales of services	19,606	-	44,880	161,392	25,220	24,578	10,494	2,282	(28,706)	259,746
Investment income	40,882	2,716	9,542	-	-	-	-	-	-	53,140
Licenses, fines and penalties	5,351	-	-	-	-	-	-	-	-	5,351
Insurance recovery	333	-	-	-	-	-	-	-	-	333
Development levies	182	-	267	609	-	-	-	-	-	1,058
Government transfers for operating	7,981	-	-	3	-	-	-	-	-	7,984
Other	7,242	-	375	8,420	52	26	423	850	1,494	18,882
Internal recoveries	26,601	-	115	2,134	777	19	2,832	130	(32,608)	-
Contribution from reserves	8,831	167,034	4,964	-	7,950	-	239	-	(189,018)	-
Transfer from Utilities and Land	3,150	-	-	-	-	-	-	-	(3,150)	-
	207,446	169,750	60,143	172,558	34,112	24,736	13,988	3,262	(257,513)	428,482
EXPENSES										
Salaries, wages and benefits	112,536	-	6,092	17,516	7,021	4,676	3,105	473	-	151,419
Contracted and general services	37,282	169	7,676	17,422	832	1,000	2,749	218	-	67,348
Materials, goods and utilities	11,049	-	1,008	12,617	1,552	1,857	155	2,534	(2,635)	28,137
Provisions for allowances	30	-	548	123	38	32	17	-	-	788
Bank charges and short term interest	267	-	129	3	-	-	6	47	-	452
Interest on long-term debt	869	-	1,038	4,285	2,897	2,924	29	18	-	12,060
Total grants and other transfers	5,016	-	-	-	-	-	-	-	-	5,016
Other operating expenses	2,680	-	40,503	9,418	(11)	8	-	-	-	52,598
Amortization of tangible capital assets	40,848	-	7,480	24,584	5,683	4,745	950	315	-	84,605
Impairments/ (recoveries)	-	-	(96,733)	-	-	-	-	314	-	(96,419)
Loss on disposal of tangible capital assets	167	-	22	580	21	11	1	-	-	802
Accretion on asset retirement obligations	59	-	7,420	(119)	5	2	373	-	-	7,740
Internal charges and transfers	6,406	-	7,715	35,000	5,969	4,482	4,912	786	(65,270)	-
Contribution to reserves	-	24,984	150,162	10,214	2,756	2,062	-	1,840	(192,018)	-
	217,209	25,153	133,060	131,643	26,763	21,799	12,297	6,545	(259,923)	314,546
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES										
	\$ (9,763)	\$ 144,597	\$ (72,917)	\$ 40,915	\$ 7,349	\$ 2,937	\$ 1,691	\$ (3,283)	\$ 2,410	\$ 113,936
OTHER										
Contributed assets	\$ 195	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ 1,195
Government transfers for capital	11,985	-	80	139	16,690	923	400	-	-	30,217
TOTAL OTHER	12,180	-	80	139	16,690	1,923	400	-	-	31,412
ANNUAL OPERATING SURPLUS (DEFICIT)										
	\$ 2,417	\$ 144,597	\$ (72,837)	\$ 41,054	\$ 24,039	\$ 4,860	\$ 2,091	\$ (3,283)	\$ 2,410	\$ 145,348

The accompany notes are an integral part of these financial statements.

CONSOLIDATED
SCHEDULE OF EXPENSES BY OBJECT
For the year ended December 31, 2025
(in thousands of dollars)

Schedule 5

EXPENSES	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
Salaries, wages and benefits	\$ 157,293	\$ 160,087	\$ 151,419
Contracted and general services	64,996	57,561	67,348
Materials, goods and utilities	33,075	32,651	28,137
Provisions for allowances	285	574	788
Bank charges and short term interest	363	511	452
Interest on long-term debt	12,738	12,701	12,060
Total grants and other transfers	3,985	6,518	5,016
Other operating expenses (Schedule 5A)	59,594	59,316	52,598
Amortization of tangible capital assets	88,089	84,574	84,605
Accretion on asset retirement obligations	7,946	9,531	7,740
Recoveries	-	(5,471)	(96,419)
Loss on disposal of tangible capital assets	-	2,081	802
TOTAL EXPENSES	\$ 428,364	\$ 420,634	\$ 314,546

CONSOLIDATED
SCHEDULE OF OTHER OPERATING EXPENSES
For the year ended December 31, 2025
(in thousands of dollars)

Schedule 5A

OTHER OPERATING EXPENSES	2025 BUDGET	2025 ACTUAL	2024 ACTUAL
Natural Gas & Oil asset retirement obligation settlement and funding costs	\$ -	\$ 22,867	\$ 7,180
Natural Gas purchases	32,907	25,831	26,442
Natural Gas & Oil surface and mineral leases	6,994	5,728	6,458
Natural Gas & Oil royalties	156	160	98
Taxes or taxes in lieu	3,530	4,227	9,084
Natural Gas & Oil transportation	12	117	331
Other	15,995	386	3,005
TOTAL OTHER OPERATING EXPENSES	\$ 59,594	\$ 59,316	\$ 52,598

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of the City of Medicine Hat (the "City") are the representations of management, prepared in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies adopted by the City of Medicine Hat are as follows:

(A) BASIS OF CONSOLIDATION

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses and changes in net financial assets (debt) of the reporting entity. This entity includes 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. They include the following:

1. Municipal Services

Activities associated with the provision of conventional municipal services including General Services (Mayor and Councillors, Managing Directors, City Clerk, City Solicitor, People Services and Economic Development), Corporate Services (Finance, Communication, Engagement & Marketing, Information & Technology, Fleet & Facilities and Corporate Planning & Performance), Public Services (Fire & Emergency Services, Community Development and Parks & Recreation), Development & Infrastructure (Municipal Works, Airport and Planning & Development) and Police Services.

2. Land Development and Real Estate, Energy, and Utility Services

Self-supporting activities, which provide Land Development and Real Estate, Electricity (Generation, Distribution and Retail), Natural Gas (Production, Distribution and Marketing) and Environmental Utilities (Water, Sewer and Solid Waste).

Interdepartmental and organizational transactions and balances are eliminated.

School administration is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *School Act*. The only relationship between the School Boards and the City is that the City is obligated to collect and remit funds raised by taxes as determined by the Province.

Cypress View Foundation is completely independent of City Council and is subject to control by the Provincial Government pursuant to the provisions of the *Municipal Government Act* and the *Alberta Housing Act*. The relationship between the Cypress View Foundation and the City is that the City is obligated to collect and remit funds raised by taxes deemed necessary by the province.

Designated industrial property includes linear property, railway and specific major plants. Assessment of these property types is conducted separately by the province. The provincial assessor's assessment reflects the specifications and characteristics for these regulated properties and the valuation standard, as outlined in the *Municipal Government Act* regulations.

The Schedule of Municipal Taxes levied includes operating requisitions for the Alberta School Foundation, Catholic Board of Education, Cypress View Foundation and Designated Industrial Properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

(B) BASIS OF ACCOUNTING

The Consolidated Financial Statements are prepared using the accrual basis of accounting.

1. Revenues

The accrual basis of accounting records revenue as it is earned and measurable. Sales and user fees are accounted for in the period in which the events occurred that gave rise to the revenues.

Revenue from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the intended purpose.

Government transfers from senior levels of government are recognized in the consolidated financial statements in the period that gives rise to the transfer occurring, providing the transfers are authorized, the City has met any eligible criteria and a reasonable estimate of the amounts can be made.

The City passed Bylaw No. 4827 to establish a Medicine Hat Endowment Fund, which will be administered as an endowment fund for the benefit of citizens of the City. Endowment contributions consist of internal allocations by the City, the principal of which is required to be maintained intact in perpetuity. Investment income allocated for the preservation of endowment capital is recognized in the consolidated statement of operations in the period it is received.

2. Tax Revenues

Tax revenues are recognized once City Council passes the bylaw approving the current year tax assessment and tax rate. Tax rate categories include: real property taxes (residential and non-residential), linear property taxes and local improvement taxes. Requisitions operating as flow through arrangements are excluded from revenue.

Taxes receivable are measured once the tax rate bylaw is passed. The property owner's share of the improvement is recognized as revenue, and recorded as receivable, in the period that the project expenditures are completed. Taxes receivable are measured at their net realizable value. Net realizable value excludes individually identified taxes in arrears considered uncollectable through the tax recovery process. Taxes received in advance of the next tax year are recorded as a customer credit and liability until the bylaw is passed.

3. Expenses

Expenses are recognized as they are incurred and measurable based on receipt of goods and services and/or the creation of a legal obligation to pay with the exception of pension expenses as disclosed in Note 1H.

(C) CASH AND CASH EQUIVALENTS

Cash and temporary investments are comprised of deposits and short-term investments with original maturity dates of 90 days or less held with Canadian chartered banking institutions.

(D) INVESTMENTS, LOANS AND ADVANCES

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy No. 0167. Included in investments are internally managed portfolios of investments in money market and fixed income securities. The City also has external investment portfolios managed by third party investment managers including Addenda Capital, Apollo Global Management, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management and Phillips, Hager & North Institutional. These funds are invested across the following asset classes: Canadian & Global fixed income and equities, infrastructure, real estate, commercial mortgages, private credit and currency.

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Investments measured at cost are recorded at the original cost net of amortized discounts and premiums on a portfolio basis.

Unrealized changes in fair value are recognized in the consolidated statement of remeasurement gains and losses until they are realized, when realized they are transferred to the consolidated statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the consolidated statement of operations and any unrealized gain is adjusted through the consolidated statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the consolidated statement of remeasurement gains and losses are reversed and recognized in the consolidated statement of operations.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Loans and advances result from the City providing financing to other entities that provide services, which benefit the citizens of the City of Medicine Hat. These loans and advances are recorded at amortized costs less any allowances for doubtful accounts using the effective interest rate. Allowances for doubtful accounts are recognized when collection is in doubt and measured at the lower of cost and net recoverable value. Loans and advances are reviewed on an annual basis by management.

(E) FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Monetary assets and liabilities denominated in a foreign currency, and non-monetary items at fair value denominated in a foreign currency, are adjusted to reflect the exchange rates in effect at the financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

statement date. Unrealized foreign exchange gains and losses are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the consolidated statement of operations and the unrealized balances are reversed from the consolidated statement of remeasurement gains and losses and recognized in the consolidated statement of operations.

(F) INVENTORIES FOR RESALE

Inventories for resale and gas in storage are valued at the lower of cost or net realizable value with cost determined by the weighted-average cost method.

(G) LAND HELD FOR RESALE

Land held for resale is recorded at the lower of cost or net realizable value. The cost of land held for resale is determined on a specific item basis.

The cost of land held for resale includes costs related to land acquisition and improvements required to prepare the land for servicing such as clearing, stripping, and levelling charges. Related development costs incurred to provide infrastructure such as water, sewer, gas, electric, roads, sidewalks and street lighting are recorded as tangible capital assets under their respective function.

Land held for resale also includes disposition of natural gas properties when divestiture by sale is likely. These assets are recorded at the lesser of fair value less costs to sell and their carrying amount and depletion.

(H) PENSION EXPENSES

The City participates in multi-employer defined benefit pension plans, wherein contributions for current and past service pension benefits are recorded as expenses in the year in which they become due. These plans are accounted for as defined contribution plans.

(I) OVER-LEVIES AND UNDER-LEVIES

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

If the actual levy exceeds the requisition, the over-levy is accrued as a liability. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(J) JOINT VENTURE ACCOUNTING

The City conducts significant portions of its oil and gas operations through jointly controlled operations and the consolidated financial statements reflect only the City's proportionate interest. Contractual arrangements for the City's jointly controlled operations, where it does not have a 100% working interest, govern that the partners have rights to their proportionate interest in the assets and liability obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

(K) ASSET RETIREMENT OBLIGATION (ARO)

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

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

The liability for closure of operational sites and post-closure care relating to landfill sites has been recognized based on estimated future expenses. An additional liability for the removal of asbestos in several of the buildings owned by the City has also been recognized based on estimated future expenses on closure of the site and post-closure care.

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The landfill capital asset is being amortized using the units of production method, while the buildings capital assets affected by the asbestos liability are being amortized with the building over their estimated useful lives as outlined in Note 1L.

The City's oil and gas production activities give rise to dismantling, decommissioning and site disturbance remediation activities. The liability is the estimated cost of abandonment and site restoration, which are capitalized in the relevant asset category. Retirement obligations are measured using management's best estimate of the expenditure required to settle the present obligation as at the reporting date. After the initial measurement, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The long-term liability is adjusted for each reporting period to reflect the passage of time, and the associated accretion charge is recognized. Periodic revisions to the liability specific risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the retirement obligations are charged against the liability to the extent it was established.

The City's energy generation activities are also subject to dismantling, decommissioning and site remediation activities. The liability is the estimated cost of abandonment and site restoration, which are capitalized in the relevant asset category. The liability is discounted using a present value calculation and adjusted yearly for accretion expense. After the initial measurement, management reviews these estimates and changes, if any, are applied prospectively. These changes are recognized as an increase or decrease to the liability, with a corresponding increase or decrease to the carrying amount of the related asset. The long-term liability is adjusted for each reporting period to reflect the passage of time and the associated accretion charge is recognized. Periodic revisions to the liability specific risk-free discount rate, estimated timing of cash flows, or to the estimated undiscounted cost can also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the retirement obligations are charged against the liability to the extent it was established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

(L) NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated change in net financial assets for the year.

1. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, design, construction, development, improvement or betterment of the asset and costs associated with asset retirement obligations.

Government contributions for the acquisition of tangible capital assets are recorded as revenue in the Consolidated Statement of Operations and do not reduce the related tangible capital assets costs.

Tangible capital assets at cost less residual value are amortized on a straight-line basis over their estimated useful lives as follows:

Land Improvements	4 to 25 years
Buildings	15 to 50 years
Engineered Structures	3.5 to 75 years
Machinery, Equipment & Furnishings	5 to 25 years
Vehicles	3 to 20 years

Carrying costs directly attributable to the acquisition, design, construction, development, improvement or betterment, excluding interest costs, are capitalized to the point in time the asset is substantially complete and ready for use. Assets under construction are not amortized until the asset is available for use. Interest charges are not capitalized. No assets have been recognized at nominal value.

Tangible capital asset write-downs are recorded when conditions indicate they no longer contribute to the City's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are recognized as expense in the statement of operations. Reversal of impairments or recoveries are recorded when factors or circumstances that triggered the original impairment have changed.

Donated and contributed tangible capital assets are recorded at estimated fair market value at the date of contribution and are recorded as revenue.

The City has works of art, museum collections, archives and various cultural and historic treasures that have aesthetic and historic value that are worth preserving perpetually. These items are not recognized in the tangible capital asset records, because a reasonable estimate of the future economic benefit associated with these items cannot be made.

2. Oil & Gas Property, Plant and Equipment (PP&E)

As the Public Sector Accounting Standards (PSAS) is silent on the treatment of resource properties, to better reflect the operations of the oil and gas properties and to provide more financial transparency, the City has elected to adopt the guidance provided under International Financial Reporting Standards (IFRS).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

(i) Property, Plant and Equipment (PP&E) Assets

Property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion, depreciation and impairment losses. The cost of Development and Production (D&P) assets includes transfers from exploration and evaluation assets, the cost to complete and tie-in the wells, facility costs, the cost of recognizing provisions for future restoration and decommissioning geological and geophysical costs and directly attributable overheads.

The City has grouped its development and production assets into the 10 Cash Generating Units (CGUs). When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of property, plant and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in the consolidated statement of operations.

(ii) Subsequent Costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in net earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in operating expenses as incurred.

(iii) Depletion and Depreciation

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related total proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Proved and probable reserves are reviewed every year. The review is conducted by internally qualified reserve evaluators who follow and attest to the Canadian Oil and Gas Evaluation Handbook (COGE) process. The evaluation process represents the estimated quantities of crude oil, natural gas and natural gas liquids, which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

(iv) Impairment

The carrying amounts of the City's oil & gas related non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the City performs an impairment test related to the assets.

For the purpose of impairment testing, assets are grouped into cash generating units (CGU), the smallest group of assets that generate cash inflows from continuing use that are largely

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

independent of the cash inflows of other assets or groups of assets. The estimated recoverable amount of an asset or a CGU is the greater of its value in use or its fair value less cost to sell.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. To determine value in use (VIU), the City estimates the present value of the future net cash flows expected to derive from the continued use of the asset or CGU. Discount rates that reflect market assessments of the time value of money and the risks specific to the asset or CGU are used. In determining fair value less cost to sell (FVLCS), discounted cash flows and independent market assessments are taken into account, if available. For assets an assessment is made at each reporting period as to whether there are any indications the previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the previously recognized impairment loss is reversed. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods.

(M) LOAN GUARANTEES

Periodically the City provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in the City's consolidated financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of the City until the City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, the City's resulting liability would be recorded in the consolidated financial statements at the present value of the estimated loss, using the City's average borrowing rate as the discount rate.

(N) USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of management estimates relate to the determination of employee benefit plans, allowance for doubtful accounts, provision for contingencies, deferred land charges, contaminated sites, estimated end date of asset retirement obligations, the value of contributed assets, estimated useful lives of tangible capital assets and impairments.

The City uses significant estimates with regards to the accounting for its operations. Significant estimates related to those operations are outlined below.

1. Gas Utility

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of oil and natural gas reserves and future prices and costs required to develop those reserves. The estimates of reserves are subject to measurement uncertainty including estimates of future prices, costs, discount rates and related cash flows. The impact of this measurement uncertainty could be material to the financial statements in future periods. Estimates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

Amounts recorded for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

IFRS requires that the City's oil and gas assets be aggregated into cash generating units, based on their ability to generate largely independent cash flows, which are used to assess the assets for impairment. The determination of the City's cash generating units is subject to management's judgment.

Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into the air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Net costs to remediate include, but are not limited to: assessment costs, maintenance and monitoring costs, and internal and external direct operating and/or capital costs relating to remediation and/or reclamation.

Amounts recorded for remediation efforts on contaminated sites are based on estimates of costs required to assess and risk manage or remediate. The cost, prediction, and timing of future outflow estimates are based on a combination of in-house expertise, judgment and assumptions, past experience, and external quotes and are subject to measurement uncertainty. The recognition of the liability assumes the City is responsible or accepts responsibility for the contamination and that it will incur future costs to remediate. The impact of this measurement uncertainty could be material to the consolidated financial statements in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Liabilities for contaminated sites are included in other long-term liabilities in the Consolidated Statement of Financial Position (Note 13).

2. Asset Retirement Obligations

The City's implementation of PS 3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs. Actual results could differ from these estimates.

(O) FUTURE ACCOUNTING CHANGES

1. The Conceptual Framework for Financial Reporting in the Public Sector

Effective April 1, 2026, The Conceptual Framework for Financial Reporting in the Public Sector. The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts and Section PS 1100, Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

2. Financial Statement Presentation (PS 1202)

Effective April 1, 2026, PS 1202 Financial Statement Presentation. Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

The City is currently assessing the impact of the new conceptual framework and standard and the extend of the impact of their adoption on the consolidated financial statements has not yet been determined.

NOTE 2: CASH AND CASH EQUIVALENTS

	2025	2024
Cash	\$ 68,384	\$ 38,296
Designated assets	7,991	3,762
TOTAL	\$ 76,375	\$ 42,058

Designated assets represent restricted amounts aggregating \$7,991 (2024 - \$3,762) for programs held exclusively for eligible capital projects (Note 9). Interest earned on designated assets was at an average interest rate of 3.26% (2024- 5.08%) and amounted to \$613 for 2025 (2024 - \$1,448).

NOTE 3: ACCOUNTS RECEIVABLE, net of allowances

	2025	2024
Current Taxes Receivable	\$ 5,810	\$ 5,350
Trade Accounts Receivable	52,776	50,239
Less: Allowance for Doubtful Accounts	(1,672)	(1,621)
TOTAL	\$ 56,914	\$ 53,968

Each year an analysis of the accounts receivable accounts are undertaken to identify accounts that are considered uncollectible. An account is deemed uncollectible when all collection avenues have been exhausted or a customer is in receivership or bankruptcy. In some cases, a judgement through Alberta Small Claims Court has been rewarded with no ability to collect. Every effort is made to collect monies and procedures are reviewed to streamline the billing and collection options.

NOTE 4: INVESTMENTS, LOANS AND ADVANCES

	2025		2024	
	Cost	Market Value	Cost	Market Value
Managed Portfolio Funds	\$ 724,235	\$ 758,226	\$ 669,022	\$ 683,568
Canadian Banks	5,838	5,838	27,665	27,665
Others	89	89	487	487
TOTAL	\$ 730,162	\$ 764,153	\$ 697,174	\$ 711,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

These investments include both internally and externally managed funds. Refer to note 1D for more information on externally managed funds. The internally managed funds are invested in fixed income investments recorded at cost with an interest rate at 3.00 percent (2024 – 4.00 percent to 5.65 percent) and mature in 2026 (2024 – mature in 2025). The investments have an average expected yield of 3.00 percent (2024 – 4.98 percent) and an average term of 0.50 (2024 – 0.56) years to maturity.

The composition of portfolio investments is as follows:

	2025				2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fixed Income								
Canadian government and corporate	-	67,045	-	67,045	-	64,774	-	64,774
Foreign government and corporate	-	69,940	-	69,940	-	66,022	-	66,022
Pooled Canadian mortgages	-	-	72,134	72,134	-	-	68,405	68,405
Equities								
Canadian equities	48,723	-	-	48,723	37,380	-	-	37,380
Foreign equities	312,095	-	-	312,095	282,157	-	-	282,157
Other								
Cash and money market funds	6,292	-	-	6,292	27,665	-	-	27,665
Real estate	-	-	54,884	54,884	-	-	53,761	53,761
Infrastructure	-	-	97,748	97,748	-	-	91,640	91,640
Private credit	-	-	35,292	35,292	-	-	22,571	22,571
Derivatives	-	-	-	-	-	-	(2,656)	(2,656)
TOTAL	\$ 367,109	\$ 136,985	\$ 260,059	\$ 764,153	\$ 347,203	\$ 130,796	\$ 233,722	\$ 711,720

The table above provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable. The fair value measurements are derived from:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – fair value measurements are those derived from the valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The amounts categorized as others in investments, loans and advances includes \$nil (2024 – \$389) of accrued realized gain on outstanding hedges, as well as loans receivables of \$89 (2024 – \$98). No allowance for doubtful accounts has been recognized on the loans receivables. These loans are forgiven once the amount is repaid. The following table provides details of the loans receivable.

	2025			2024		
	Balance	Valuation Allowance ¹	Principal Payments	Balance	Valuation Allowance ¹	Principal Payments
Medicine Hat Curling Club ²	89	-	-	98	-	-
TOTAL	\$ 89	\$ -	\$ -	\$ 98	\$ -	\$ -

¹ Valuation Allowances relates to interest free loans and represents the amount of interest implicit in the loan payments if it were interest bearing. There are no interest free loans outstanding at December 31, 2025.

² Medicine Hat Curling Club loan is due in 2034 with annual instalments of \$11, bearing interest at 2.25%.

NOTE 5: LAND AND OTHER ASSETS HELD FOR RESALE

Land and properties held for resale includes \$7,887 of developed properties held for sale (2024 – \$8,936) and \$nil (2024 – \$1,755) of gas production assets held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 6: INVENTORIES FOR RESALE

	2025	2024
Food and Beverage Concessions	152	106
TOTAL	\$ 152	\$ 106

NOTE 7: DEPOSITS

	2025	2024
Clean Energy Improvement Program	\$ 627	\$ 650
Postage	29	38
Refundable Containers	28	28
Gas Operating Deposits	111	6
Supply Transmission Deposit	915	976
Carbon Credits	318	2,034
Gas Royalty Deposits	6	11
TOTAL	\$ 2,034	\$ 3,743

The City has entered into carbon offset programs as part of its ongoing commitment to reducing its greenhouse gas emissions and supporting sustainable environmental practices; these programs generate Carbon Credits. Carbon Credits are adjusted annually to their prescribed market rate, which at December 31, 2025, was \$0.031 per tonne (2024 - \$0.080 per tonne).

NOTE 8: ACCRUED LIABILITIES

	2025	2024
Wages and Salaries	\$ 6,396	\$ 6,719
Vacation Pay	7,148	7,261
Sick Bank	3,451	3,164
Interest on Long-Term Debt	1,653	1,385
Carbon Tax Levy	-	2,653
Other Liabilities	2,718	3,257
TOTAL	\$ 21,366	\$ 24,439

Effective April 1, 2025, the Government of Canada cancelled the federal carbon levy. Prior to its cancellation, the City of Medicine Hat was responsible for collecting the carbon levy on eligible fuel sales and remitting the amounts to the federal government in accordance with applicable legislation. There are no amounts owing to the Government of Canada for carbon taxes at December 31, 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 9: DEFERRED REVENUE & GOVERNMENT TRANSFERS

(A) DEFERRED REVENUE

	Balance 2024	Additions 2025	Reductions 2025	Balance 2025
Unrestricted Funds				
Deposits	\$ 9,495	\$ 1,560	\$ 1,058	\$ 9,997
Deferred Revenue	6,508	2,287	2,203	6,592
Total Unrestricted Funds	16,003	3,847	3,261	16,589
Restricted Funds				
Alberta Community Partnership	20	34	54	-
Alberta Community Partnership - Regional Emergency Management Project	-	94	-	94
Alberta Drought and Flood Protection Program	-	2,942	-	2,942
Alberta Environment and Protected Areas - Watershed Resiliency and Restoration Program (WRRP)	-	677	-	677
Alberta Labour Market Partnership	8	-	5	3
Alberta Museums Association	25	25	25	25
Alberta Real Estate Foundation Operating Grant	-	25	-	25
All Hazards Incident Management Team (AHIMT) Grant	131	4	30	105
Canada Community- Building Fund (CCBF)	4,559	4,068	3,136	5,491
Canadian Heritage Foundation	12	156	168	-
Climate Change and Emissions Management Corporation (CCEMC) – Emissions Reduction Alberta (ERA)	13	23	36	-
Federation of Canadian Municipalities - Green Municipal Fund (FCM)	928	-	18	910
Federation of Canadian Municipalities - Growing Canada's Community Canopies (GCCC)	-	598	28	570
Local Government Fiscal Framework (LGFF) - Capital	3,087	9,563	6,364	6,286
Municipal Sustainability Initiative - Capital	2,853	95	2,948	-
Northern and Regional Economic Development Program (NRED)	145	5	71	79
Settlement, Integration and Language Program (SILP)	177	241	173	245
Total Restricted Funds	11,958	18,550	13,056	17,452
TOTAL	\$ 27,961	\$ 22,397	\$ 16,317	\$ 34,041

Restricted funds are related to eligible projects as approved under their respective funding agreements. Unexpended restricted funds related to the advances are supported by cash and cash equivalents (Note 2) of \$7,991 (2024 - \$3,762) held exclusively for these projects. Included in restricted funds is \$9,461 for Local Government Fiscal Framework – Capital in which funds have not yet been received.

(B) GOVERNMENT TRANSFERS

Major government transfers recognized by the City during the year were: Alberta Drought and Flood Protection Program (used for critical infrastructure protection for the Wastewater Treatment Plant, along the riverbank), Canada Community Building Fund (used primarily for bridge infrastructure upgrades and recreation infrastructure), Local Government Fiscal Framework Capital Grant (used primarily for the rehabilitation of roads) and Municipal Sustainability Initiative Capital Grant (used primarily in the year for the building of the solid waste handling facility).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 10: SHORT-TERM DEBT

A combined Municipal Operating Loan Facility (Revolving) and Letter of Credit Facility are available to the City up to a maximum of \$75 million, by way of prime rate-based loans and/or Letters of Credit (in Canadian dollars). This facility is secured by Bylaw No. 4719. At December 31, 2025, there were Letters of Credit issued in the amount of \$45,360 (2024 - \$63,598) leaving an available Municipal Operating Loan Facility of \$29,640 (2024 - \$11,402).

A Corporate Credit Card Facility is available to the City up to a maximum of \$1.5 million (2024 - \$1.5 million). This facility is secured by Bylaw No. 4804. At December 31, 2025, there was outstanding credit card debt in the amount of \$515 (2024 - \$574).

NOTE 11: LONG-TERM DEBT

(A)

	2025	2024
Tax Supported	\$ 53,921	\$ 25,351
Utilities Rate Supported		
- Electric	142,726	132,517
- Gas	39,744	34,850
- Water	86,780	82,471
- Sewer	94,746	87,171
- Solid Waste	585	758
Total Utilities	364,581	337,767
TOTAL DEBT	\$ 418,502	\$ 363,118
Comprised of:		
- Alberta Capital Finance Authority	\$ 398,502	\$ 343,118
- TD Bank	20,000	20,000
TOTAL DEBT	\$ 418,502	\$ 363,118

(B) Expected future principal and interest payments are as follows:

	Principal	Interest
2026	27,281	13,796
2027	30,134	12,815
2028	28,814	11,833
2029	28,557	10,917
2030	28,359	10,023
2031-2055	275,357	66,149
TOTAL	\$ 418,502	\$ 125,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

The debentures have interest payable at rates ranging from 1.79 percent to 6.25 percent (2024 - 1.79 percent to 6.25 percent) per annum before Provincial Subsidy and mature in periods 2026 through 2055 (2024 - 2025 through 2051). The average annual interest rate for 2025 is 3.48 (2024 - 3.41) percent. For qualifying debentures, the Province of Alberta rebates 60 percent of interest in excess of 8 percent, 9 percent, and 11 percent to a maximum annual rate of 12.5 percent depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2025 was \$12,701 (2024 - \$12,060).

(C) DEBT PER CAPITA – BASED ON 2021 CENSUS (63,271)

(not in thousands of dollars)

	2025	2024
Tax Supported Debentures	\$ 852	\$ 401
Rate Supported Debentures	5,762	5,338
TOTAL	\$ 6,614	\$ 5,739

- (D) The Minister of Municipal Affairs has prescribed total debt and debt servicing limits for municipalities in the province. The debt limit is calculated based upon 2.0 times revenue, and the debt servicing limit is based upon 0.35 times revenue. Included in the Actual Debt calculation are loans outstanding as well as Loan Guarantees and Letters of Credit issued.

	2025	2024
Debt Limit	\$ 872,066	\$ 856,964
Letters of Credit Issued (Note 10)	45,360	63,598
Corporate Credit Card Debt (Note 10)	515	574
Long-Term Debt (Note 11A)	418,502	363,118
Loan Guarantees (Note 11E)	889	984
AMOUNT UNDER LIMIT	\$ 406,800	\$ 428,690
Debt Servicing Limit	152,612	149,969
Actual Debt Servicing (Long and Short-Term Debt)	\$ 37,568	\$ 38,693
AMOUNT UNDER LIMIT	\$ 115,044	\$ 111,276

(E) LOAN GUARANTEES

Section 266 of the Municipal Government Act allows municipalities to guarantee the repayment of a loan between a lender and a non-profit organization or one of its controlled corporations. The City of Medicine Hat has passed the following Bylaws guaranteeing loans to non-profit organizations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

Bylaw Number	Bylaw Passed by City Council	Guarantee	2025		2024	
			Maximum Loan Amount	2025 Balance	Maximum Loan Amount	2024 Balance
Bylaw 4187	September 4, 2013	Connaught Golf & Country Club	965	511	965	561
Bylaw 4138	November 6, 2012	Medicine Hat Golf & Country Club	675	351	675	385
Bylaw 4436	June 20, 2017	Medicine Hat Golf & Country Club	100	27	100	38
TOTAL			\$ 1,740	\$ 889	\$ 1,740	\$ 984

The Loan Guarantees identified above are at various interest rates with a maximum repayment term of 20 years (2024 - 20 years). All loans are in good standing at December 31, 2025.

NOTE 12: ASSET RETIREMENT OBLIGATIONS

	2024	Additions	Accretion Expense	Change in Estimate	2025
Asset Retirement Obligation – Gas and Oil Properties	\$ 122,871	\$ -	\$ 7,814	\$ (19,238)	\$ 111,447
Asset Retirement Obligation – Energy Generation	-	46,627	1,144		47,771
Asset Retirement Obligation – Asbestos Abatement	4,628	-	210	(593)	4,245
Asset Retirement Obligation – Sanitary Landfill	10,173	-	363	12,085	22,621
TOTAL	\$ 137,672	\$ 46,627	\$ 9,531	\$ (7,746)	\$ 186,084

Gas and Oil Properties

The scope of PS 3280 includes obligations related to the abandonment and reclamation of gas and oil properties. At December 31, 2025, the estimated cost of this liability was \$111,447 (2024 - \$122,871). At December 31, 2025, the expected timing of payment for settlement of the obligations ranges from 1 to 15 years (2024 - 1 to 15 years).

During the year ended December 31, 2025, the City accelerated the abandonment of certain wells and compressors which expedited the abandonment time frame. This resulted in a net reduction of \$11,424 (2024 - \$115,175) of cash flows required to settle the liability, which is comprised of accretion of the liability for \$7,814 (2024 - \$7,417) and a reduction due to change in estimate for \$19,238 (2024 - \$122,592).

During the year ended December 31, 2025, the total in asset retirement obligation expenditures for Oil & Gas properties was \$22,867 (2024 - \$16,490). These costs were funded through the Abandonment Obligation reserve.

Energy Generation

PS 3280 includes obligations related to environmental standards imposed by higher levels of government. Based on current federal standards, the expectation is that the City's Power Generating Plant and Equipment will be "grandfathered" into any changes to environmental targets and legislation, and as a result, will have to decommission its existing Power Generating Plant and Equipment by 2050.

Previously, there was no legal obligation for the City to decommission their power generating assets. During the December 31, 2025, reporting period, the City had an engineering assessment of its Power Generating Plant and Equipment completed. As a result of the engineering assessment, as well as additional clarity around federal decommissioning timelines, the City now has the necessary information to determine and record a retirement obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

At December 31, 2025, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to the City's Power Generating Plant and Equipment were \$149,433, calculated using an inflation rate of 4.58 percent per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of \$48,292 was 3.57 percent. At December 31, 2025, the expected timing of payment to settle decommissioning obligations is 25 years.

Asbestos Abatement

Asset Retirement Obligations associated with the City's Buildings is recognized per PS 3280. Relevant legislation including the *Asbestos Code of Practice* obligates the entity to remove asbestos in a specified manner once the assets are no longer held for productive use. At December 31, 2025, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to Asbestos Abatement were \$4,285 (2024 - \$5,841), calculated using an inflation rate of 2.58 (2024 - 2.50) percent per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of \$3,724 (2024 - \$4,628) was 3.57 (2024 - 3.33) percent. At December 31, 2025, the expected timing of payment to settle decommissioning obligations ranges from 5 to 75 years.

During the year ended December 31, 2025, the total in asset retirement obligation for Asbestos Abatement decreased by \$593 mainly due to a derecognition of asbestos ARO liability for Electric Generation, as these costs are now captured in the newly established power generation asset retirement obligation liability.

Sanitary Landfill

The scope of PS 3280 includes the restoration costs associated with solid waste landfills. The City is legally and contractually obligated to perform reclamation activities regardless of the volume of waste accepted once the asset is no longer held for productive use. PS 3280 obligates the City to recognize the total obligation once waste is accepted and to increase the carrying amount of the related asset by the same amount. At December 31, 2025, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to the City's Sanitary Landfill were \$41,250 (2024 - \$12,729), calculated using an inflation rate of 2.58 (2024 - 2.50) per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of \$22,621 (2024 - \$10,173) was 3.57 (2024 - 3.33) percent. At December 31, 2025, the expected timing of payment to settle decommissioning obligation is 31 years (2024 - 32 years).

During the year ended December 31, 2025, the City increased the value of the undiscounted cash flow cost to retire the landfill due to the planned Airspace Optimization South East Expansion cell and additional capital work required for changing regulations for landfill gas emissions in 2030. This resulted in an increase to both the tangible capital asset and the asset retirement obligation of \$12,085.

NOTE 13: OTHER LONG-TERM LIABILITIES

	2025	2024
Offsite Contributions	\$ 25,913	\$ 24,905
Contaminated Sites - Abandonment & Restoration	529	414
Deferred Charges	1,928	1,426
Employee Retirement Benefits Liability (Note 19)	7,799	7,712
Federation of Canadian Municipalities	1,809	1,809
TOTAL	\$ 37,978	\$ 36,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

Contaminated Sites

At December 31, 2025, the estimated undiscounted cash flows required to settle the contaminated sites were \$630 (2024 – \$615), calculated using an inflation rate of 2.58 (2024 – 2.50) percent per annum. The estimated fair value of this liability was \$529 (2024 – \$414) after discounting the estimated cash flows at a rate of 4.56 (2024 – 4.91) percent. The amount of anticipated recoveries included in this estimate is \$nil (2024 – \$nil). The City has not designated assets for settling decommissioning obligations. The change in estimated cash flows required from 2024 to 2025, relates to revised cost estimates on former fuel station, electric transformer repair building, former auto repair building, former industrial operating sites, and former pet boarding facility. In 2025, the estimated cash flows were higher than 2024.

The sources of the contamination for which the liability has been recorded include: sites where underground storage tanks have leaked, sites where polycyclic aromatic hydrocarbons (PAHs) and petroleum hydrocarbons (PHCs) exceeded the remediation guidelines, sites containing contaminated groundwater associated with the disposal of snow, and sites where old tanks and barrels/drums could potentially contain polychlorinated biphenyl (PCBs). At December 31, 2025, the expected timing of payment for settlement of the obligations ranges from 1 to 10 years (2024 – 1 to 10 years).

Operational sites which are still being used productively (Water Treatment Plant, Power Plant, Airport, fuelling stations) will be revaluated annually to determine if a decommissioning obligation is required. Factors which would require a decommissioning liability include but are not limited to a communicated plan to decommission, technological improvements, legislation changes and the ability to sell or rent the operations to a third party.

Additional sites where liabilities have not been recognized as estimated costs to clean up the site are not readily available or obtainable through analysis of historical or similar operations include: two snow dump sites; a compost facility near the Landfill; and a former shooting range, where there is potential soil and groundwater contamination; a site where hydrocarbon and metals contamination exceeds guidelines. This site had been leased to a third party and is now vacant and not being utilized for a productive purpose. It was recommended that the City of Medicine Hat monitor the site until more information is revealed about the extent of such costs. There were no new sites added in 2025.

Federation of Canadian Municipalities

In 2024 the City launched the Clean Energy Improvement Program (CEIP) to provide residential property owners an affordable, flexible, and streamlined approach to investing in energy efficiency and renewable energy upgrades. These costs are paid upfront by the City and repaid by the taxpayer through annual property tax assessments. To fund these costs, the City signed an agreement with Federation of Canadian Municipalities (FCM) to receive \$3,619 in the form of a loan. At December 31, 2025, \$1,809 (2024 – \$1,809) had been received from FCM. Principal payments will be made over 20 years and are not due until the program is complete (estimated completion in 2027).

NOTE 14: LAND HELD FOR FUTURE DEVELOPMENT

Land held for future development consists of costs relating to the acquisition and development of land the City plans to subdivide and sell in future years. Land included in this category is still in the planning and development stage and is not expected to be sold in the short term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 15: TANGIBLE CAPITAL ASSETS

	2025 Net Book Value	2024 Net Book Value
Land	\$ 49,404	\$ 48,949
Land Improvements	93,860	90,793
Buildings	265,920	270,883
Engineered Structures	985,558	901,195
Gas and Oil Properties	44,107	62,278
Machinery, Equipment and Furnishings	49,106	49,859
Vehicles	21,334	20,962
TOTAL	\$ 1,509,289	\$ 1,444,919

Tangible capital assets under construction are carried at cost. Amortization will commence with productive use. Included in the above is capital assets under construction aggregating \$95,534 (2024 - \$80,613). The value of capital assets currently under construction and not being amortized increased \$34,294 (2024 - increased by \$34,312) as a net transfer to productive use. Contributed capital assets received and recognized in the year from developers for various infrastructure works and parks is \$11,537 (2024 - \$1,195). 2025 contributed capital assets relates to leasehold improvements from the local golf courses and land improvements to private subdivisions.

The City did recognize a recovery \$5,432 (2024 - \$96,733 recovery), which relates to the oil and gas assets as a result of the increase in provable and probable reserves and the increase in current and forward market commodity price for natural gas and oil.

NOTE 16: ACCUMULATED OPERATING SURPLUS

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2025	Total 2024
Balance, beginning of year	\$ 114,534	\$ 604,086	\$ 944,129	\$ 1,662,749	\$ 1,517,401
Annual surplus from operations	39,897	-	-	39,897	145,348
Unrestricted funds designated for future use	(152,170)	152,170	-	-	-
Restricted funds used for operations	70,160	(70,160)	-	-	-
Funded tangible capital assets	(15,457)	-	15,457	-	-
Contributed tangible capital assets	(11,537)	-	11,537	-	-
Disposal of tangible capital assets	2,958	-	(2,958)	-	-
Impairment (recoveries)	(5,471)	-	5,471	-	-
Annual amortization expense	84,574	-	(84,574)	-	-
Asset retirement obligation accretion expense	9,531	-	(9,531)	-	-
Long term debt repaid	(25,172)	-	25,172	-	-
BALANCE, END OF YEAR	\$ 111,847	\$ 686,096	\$ 904,703	\$ 1,702,646	\$ 1,662,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

1. Unrestricted Surplus

The unrestricted surplus represents accumulated surpluses from operations, which have not been designated by City Council for any specific use.

UNRESTRICTED SURPLUS (DEFICIT)	2025	2024
General Fund	\$ 7,734	\$ 9,317
Gas	50,818	51,311
Electric	(9,327)	(11,377)
Water	18,183	14,475
Sewer	3,752	7,464
Solid Waste	18,618	18,944
Land	22,069	24,400
TOTAL	\$ 111,847	\$ 114,534

2. Restricted Surplus

The City of Medicine Hat has developed the Financial Reserve Policy No. 0168 and the Distributable Funds/Dividend Policy No. 0169, both of which were adopted by Council on October 7, 2024. The objective of these policies is to promote strong financial leadership and planning to encourage long term sustainability of the Corporation. The policies require earnings are retained at a level to account for all administration, operation, sustaining capital and maintenance costs of existing equipment required to provide the current level of service in each business unit. As well, the policies require that distributable funds (free cash flow) are provided to fund financial reserves for financing future growth capital and future asset retirement obligations, energy transition requirements, supporting asset management planning, and planning for operational contingencies.

The Financial Reserve Policy established the following reserves:

- Operating Reserve Fund is to stabilize fluctuations in operating activity and to address the risk of revenue or expenditure volatility.
- Capital Reserve Fund is to support the funding of the City's capital requirements.
- Medicine Hat Endowment Fund is to provide an endowment fund for the benefit of the citizens of the City. This benefit will be provided through the following three general streams: Financial Sustainability, Economic Evolution and Community Livability in alignment with the strategic plan of Council.
- Abandonment Obligations Reserve Fund is to support the funding of the City's asset retirement obligations.
- Energy Transition Reserve Fund is to support the funding of the transition of the City's energy infrastructure to achieve a net zero emissions target as prescribed by the provincial and federal government.

The distributable funds/dividends are allocated in a tiered priority to the various reserves in accordance with the Financial Reserve Policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

RESTRICTED SURPLUS - RESERVES	Balance 2024	2025 Additions	2025 Reductions	Balance 2025
Operating	\$ 35,437	\$ 12,010	\$ 4,662	\$ 42,785
Capital	208,471	99,807	36,956	271,322
Medicine Hat Endowment Fund	207,632	17,283	5,000	219,915
Abandonment Obligations	76,273	12,399	22,867	65,805
Energy Transition	76,273	10,671	675	86,269
TOTAL	\$ 604,086	\$ 152,170	\$ 70,160	\$ 686,096

3. Equity in Tangible Capital Assets

EQUITY IN TANGIBLE CAPITAL ASSETS	2025	2024
Tangible capital assets (Schedule 1)	\$ 3,432,093	\$ 3,325,652
Accumulated amortization (Schedule 1)	(1,922,804)	(1,880,733)
Asset Retirement Obligation (Note 12)	(186,084)	(137,672)
Long-term debt (Note 11)	(418,502)	(363,118)
TOTAL	\$ 904,703	\$ 944,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 17: SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the Chief Administrative Officer (CAO), and designated officers as required by provincial regulation 313/2000 is as follows:

	2025			2024		
	2025 Salary ¹	Benefits & Allowances ²	Total 2025	2024 Salary ¹	Benefits & Allowances ²	Total 2024
Mayor Linnis Clark	\$ 160	\$ 31	\$ 191	\$ 154	\$ 33	\$ 187
Councillor:						
Cocks, B	7	2	9	-	-	-
Clugston, K	7	3	10	-	-	-
Dumanowski, R	47	24	71	50	16	66
Hellman, C	7	1	8	-	-	-
Hirsch, D	47	10	57	49	11	60
Hider, C	47	11	58	51	16	67
Knodel, A	47	14	61	51	11	62
McGrogan, A	45	18	63	49	18	67
Mohammed, Y	7	4	11	-	-	-
Phaff, C	7	4	11	-	-	-
Reynish, D	7	1	8	-	-	-
Robins, R	45	15	60	50	14	64
Sharps, S	47	18	65	51	24	75
Van Dyke, A	45	12	57	49	16	65
Varga, B	7	4	11	-	-	-
Young, S	7	4	11	-	-	-
Chief Administrative Officer (CAO)	335	45	380	317	44	361
Designated Officers ³	1,822	358	2,180	1,483	259	1,742

¹ Salary includes regular base pay and vacation payouts.

² Benefits and Allowances includes employer's share of all employee benefits and contributions or payments made on behalf of employees (where applicable) including retirement pension, Canada Pension Plan, Employment Insurance, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, expense reimbursements, per diem payments, travel reimbursements, professional memberships, and conferences.

³ The City has eight Designated Officers. During the year, periods of positional overlap occurred due to transitional staffing associated with incumbents vacating their roles.

NOTE 18: LOCAL AUTHORITIES AND SPECIAL FORCES PENSION PLANS

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves 316,938 members in 2024 (304,451 in 2023) and 453 employers in 2024 (444 in 2023). The Police Officers are members of the Special Forces Pension Plan (SFPP) and serves 8,269 members in 2024 (8,034 in 2023) and 8 employers 2024 (2023 – 8). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

During 2025, the City of Medicine Hat was required to make current service contributions to the Local Authorities Pension Plan of 8.45 percent (2024 – 8.45 percent) of pensionable earnings up to the Canada Pension Plan Year’s Maximum Pensionable Earnings and 11.65 percent (2024 – 11.65 percent) for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat was required to make service contributions of 14.55 percent (2024 - 14.55).

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2025 were \$10,696 (2024 - \$11,044). Total current service contributions by the employees for 2025 were \$9,621 (2024 - \$9,940).

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

At December 31, 2024, SFPP disclosed an actuarial surplus of \$624.1 million (2023 – surplus of \$553.1 million).

NOTE 19: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. In 2025, an actuarial accounting valuation for the plan was performed for the year ended December 31, 2025, with a projection for 2026. The unamortized net actuarial gain is \$1,486 (2024 - \$1,671). Information about the plan is as follows:

	2025	2024
Accrued Benefit Obligation		
Balance, Beginning of Year	\$ 7,712	\$ 7,650
Current Service Cost	152	142
Interest Cost	290	284
Benefits Paid	(170)	(131)
Amortization of net actuarial gain	(185)	(233)
BALANCE, END OF YEAR (Note 13)	\$ 7,799	\$ 7,712

The significant actuarial assumptions adopted in measuring the City’s accrued benefit obligation are as follows:

	2025	2024
Discount Rate	4.80%	4.80%
Rate of Compensation Increases	3.00%	3.00%
Expected Average Remaining Service Life	9.03 years	8.72 years

NOTE 20: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2025 was \$25,976 (Gas) and \$10,151 (Electric) (2024 - \$26,551 and \$10,009 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 21: OPERATING BUDGET

Operating budget data presented in these consolidated financial statements are based upon the 2025 operating budget approved by Council. Adjustments to budgeted values were required to provide a comparative budget value based on the full accrual basis of accounting and reconciles the approved operating budget with the budget figures as presented in these consolidated financial statements. Note 22 provides the approved capital budget for 2025.

	2025 Budget
Revenue	
Approved operating budgets	\$ 497,036
Adjustments	(88,736)
	<u>408,300</u>
Expense	
Approved operating budgets	545,442
Adjustments	(117,078)
	<u>428,364</u>
Other revenue	
Government transfers for capital	18,073
ANNUAL SURPLUS (DEFICIT)	\$ (1,991)

NOTE 22: CAPITAL COMMITMENTS

(A) 2025 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Statement of Change in Net Financial Assets is the 2025 approved Capital Budget. The actual expenditures of \$107,588 (2024 - \$113,985) includes amounts carried forward from previous budget years, costs related to the 2025 budget and developer contributions of tangible capital assets. The actual expenditures are presented net of properties held for sale.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2025 a number of capital projects were in progress and will be completed in 2025 or subsequent years. The unexpended appropriation related to these projects is \$275,973 (2024 - \$299,802). Significant projects are:

- **Gas Utility**
Drilling and Completions (\$5,164), Well Abandonments (\$82,005), Projects Operated by Third Parties (\$2,983), and Pipelines and Wells (\$4,962).
- **Electric Utility**
Turbine Overhauls (\$28,092), Generator Rotor Replacement (\$1,484), Control Cable Replacement (\$1,317), Clear Horizon Carbon Capture (\$4,478), MHS-11 Substation (\$17,679), Substation Replacement (\$4,000), Substation Renewal (\$1,758), Distribution Overhead Systems (\$1,423) and East Ring Enhancement (\$1,000).
- **Municipal Works**
Various Rehabilitation Programs for Transportation, Bridges and Roads (\$8,104).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

- Parks and Recreation**
 Irrigation Infrastructure Program (\$1,965) and Facilities for the Future Design & Land Acquisition (\$3,733).
- Fleet and Facilities**
 Vehicle and equipment purchases (\$17,648) and Rehabilitation Programs (\$1,054).
- Water Utility**
 Reservoirs (\$1,873), Water Asset Management Programs (\$1,547) and Water Main Replacements (\$552).
- Sewer Utility**
 Sewer Main Asset Management Program (\$3,284), Lift Station Facility Upgrades (\$1,857) and Brier Park Gravity Bypass (\$1,791).
- Land Development and Real Estate**
 Unspent budgets relating to subdivisions being developed for sale include Ranchlands (\$11,995), Brier Run (\$13,383), NW Industrial Park (\$12,845) and unspecified development spending (\$1,991).

(C) CAPITAL PLAN

The following is the City Council approved 2025 Capital Plans with projections for 2026 – 2034 for the Gas Utility, Electric Utility, Environmental Utilities, Municipal Services, and Land and Real Estate:

2025 Budget	100,114
2026 Projection	146,474
2027 - 2034 Projection	1,113,097
TOTAL	\$ 1,359,685

Financing sources identified:

	2025	2026
Government Grants	\$ 13,642	\$ 18,848
Current Revenues	33,658	37,631
Debentures		
Tax Supported	-	3,350
Utilities Rate Supported	21,005	27,377
Reserves	30,909	58,368
Direct Charges and Other	900	900
TOTAL	\$ 100,114	\$ 146,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 23: CONTINGENT ASSETS AND LIABILITIES

(A) Contingent Assets

Contingent assets are disclosed, when a future event is likely to confirm the existence of the asset. These possible assets arise from conditions existing as at the financial statement date or situations involving current uncertainty.

The City has not disclosed an asset for certain future events as the dates of reimbursement and the extent of the settlements cannot be reasonably determined at this time.

(B) Contingent Liabilities

Various claims have been made against the City as at December 31, 2025. If proven, it is possible that these claims may have a material adverse effect on the financial position of the City. The City is disputing the claims and as the outcome is not determinable at this time, no amount has been accrued in the financial statements.

The City has not recognized a liability for certain legal obligations, primarily environmental and other liabilities related to facilities, equipment, and land. The liabilities are not recognized as the dates of the remediation and estimated costs are unknown and as such the fair value of these liabilities cannot be reasonably determined.

Contaminated sites are not accrued as liabilities in the Consolidated Statement of Financial Position, if there is uncertainty about one or more of the following: the contamination exceeding a standard, expected future costs, or the party responsible for the contamination. Continued efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites or changes in the assessments of existing sites. Any additional liabilities will be accrued in the year in which they become known and can be reasonably estimated.

Southridge Recreation and Wellness Centre:

In the event that the YMCA defaults in respect to its duties and obligations under the agreement between the YMCA as Operator of the Southridge complex and the City of Medicine Hat as Landlord, or in the event the YMCA's term as Operator is terminated by way of voluntary or involuntary termination, the City is required to return to the YMCA the value of all its initial contribution at construction of \$1,800, together with an additional contribution at opening of \$24. However, if the relationship naturally expires in 2044, no repayment is required.

There has been an additional \$1,200 contributed by the YMCA through a 2016 Budget Amendment approved by Council, for the renovation and expansion of the weight and cardio room at the complex. In the event that the YMCA defaults in respect to its duties and obligations under the agreement between the YMCA as Operator of the Southridge complex and the City of Medicine Hat as Landlord, or in the event the YMCA's term as Operator is terminated by way of voluntary or involuntary termination, the City is required to return to the YMCA the unamortized amount (according to the agreement) in that calendar year.

The above contingent liabilities for The Southridge Recreation and Wellness Centre are not accrued as liabilities in the Consolidated Statement of Financial Position as there is uncertainty of whether the agreement will terminate prior to 2044.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 24: CONTRACTUAL RIGHTS

The City has entered into the following agreements:

- a) Property development agreements, which require the developers to contribute various infrastructure assets to the City. The timing and extent of these future contributions will vary depending on development activity and fair value of the assets received at time of contribution and therefore cannot be reasonably determined at this time.
- b) Utility agreements to sell natural gas, crude oil and electricity production to third parties. The timing and extent of future revenues will vary due to uncertain commodity market prices and volumes and therefore cannot be reasonably determined at this time.

NOTE 25: FINANCIAL RISK MANAGEMENT

The City's Financial Reserve Policy #0169 serves as another mechanism to mitigate financial risk exposure.

The City is subject to certain risks due to its operating environment:

a) Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Market risk is comprised of three types of risks: price risk, interest rate risk and foreign currency risk. The City has policies and procedures in place governing asset mix, asset allocation and performance measurement. The City's risk management processes have not changed from the prior year.

The City engages in certain hedging activities to mitigate the financial risk exposure that market price changes can have. Hedging Policy #0159 provides the framework for guiding this risk management activity at the City. The policy outlines a set of triggers that guide hedging activities for each business unit and their specific requirements; this includes stabilizing the cost of commodities and/or stabilizing revenues and maintaining reliable supplies for operations/sales.

i) Price Risk

Price risk related to the possibility that equity investments will change in fair value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market.

The City is exposed to price risk associated with its commodity price exposure, equity investments and underlying equity investments held in pooled equity funds. The commodity price exposure is mitigated through the City's hedging activities.

If equity market indices declined by 1 percent, and all other variables held constant, the potential loss in fair value to the City would be approximately \$3.6 million or 0.4 percent of total investments.

ii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be affected by a change in market interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

The City is exposed to interest rate risk through its investments in fixed income securities. In general, investment returns for fixed income securities, including bonds and mortgage funds, are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than short term securities. The City manages the interest rate risk exposure of its fixed income investments by adjusting portfolio durations. A 1 percent change in market yield related to fixed income securities would have increased or decreased fair value by approximately \$8.8 million.

The fixed income securities have the following average maturity structure:

	2025
0-3 years	38%
3-7 years	43%
7-10 years	9%
Over 10 years	10%
TOTAL	100%

The City has fixed interest rate loans for all debt, thereby mitigating interest rate risk from rate fluctuations over the term of the outstanding debt.

iii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The fair value of cash and investments denominated in foreign currencies is translated into Canadian dollars on an annual basis using the reporting date exchange rate.

The City is exposed to foreign exchange fluctuations on its cashflows denominated in foreign currencies and also to changes in the valuation on its assets denominated in foreign currencies attributable to fluctuations in exchange rates. As at December 31, 2025, investments in non-Canadian assets represented 59% of total investments by fair value.

The impact of a change in the value of the Canadian dollar against all foreign currencies is as follows:

Fair Value	2% Decrease	1% Decrease	1% Increase	2% Increase
Foreign Currency Assets	\$ 498,800	\$ 10,000	\$ 5,000	\$ (5,000) \$ (10,000)

b) Liquidity Risk

Liquidity risk is the risk that the City will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. The City maintains a portfolio of short-term investments with rolling maturity dates to manage short-term cash requirements. The City maintains an unsecured short term operating credit with a commercial bank to ensure funds are available to meet current and forecasted financial requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

c) Credit Risk

The City is exposed to credit risk on investments arising from the potential failure of a counterparty to honour its contractual obligations. To manage the risk, the City has established Investment Policy #0167 with required minimum credit quality standards and maximum exposures per issuer.

The City is subject to credit risk with respect to tax, trade and other receivables. This operational risk arises from the possibility that taxpayers and counterparties to which the City provides services may not be able to fulfil their obligations to the City. The City mitigates these risks through its established internal processes.

NOTE 26: SEGMENTED DISCLOSURES

Segmented disclosures (Schedule 4) are intended to enable users to better understand the government reporting entity and the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent both amounts directly attributable to the segment and amounts that are allocated on a reasonable basis.

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

- a) Tax supported programs consist of those that are directly supported by property taxes, including the tax allocation proved directly to other operations as follows:
 - General Government is comprised of Corporate Administration, Mayoral and Councilor services, City Solicitor, City Clerk, People Services and Economic Development.
 - Corporate Services is comprised of Finance, Information Technology, Fleet & Facilities, Communications, Engagement & Marketing and Corporate Planning & Performance.
 - Development & Infrastructure is comprised of Municipal Works, Airport and Planning & Development Services
 - Public Services is comprised of Fire & Emergency Services, Community Development and Parks & Recreation.
 - Police Service comprised of all police services and bylaw enforcement.
- b) Gas Utility produces, sells to market and distributes natural gas to customers within its franchise boundary in a safe and reliable manner. The utility is operated on a self-sustaining basis.
- c) Electric Utility produces and provides safe, reliable, cost-effective electric energy to the customers of Medicine Hat and surrounding area and provides other related services within the city corporate structure. The utility is operated on a self-sustaining basis.
- d) Water Utility treats and distributes potable water to City of Medicine Hat water customers. The Water department ensures all treated water meets the rigid safety, quality, monitoring, recording and reporting parameters of Federal, Provincial, water industry and local standards. The utility is operated on a self-sustaining basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

- e) Sewer Utility collects and treats sanitary wastewater from City of Medicine Hat sewer customers. The Sewer department ensures all treated wastewater meets the rigid safety, environmental, monitoring, recording and reporting parameters of Federal, Provincial, wastewater industry and local standards. The utility is operated on a self-sustaining basis.
- f) Solid Waste Utility delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. The utility is operated on a self-sustaining basis.
- g) Land Development and Real Estate includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The department is operated on a self-sustaining basis.

The segmented reports display revenue and expenses sorted by accounts. The City's reporting levels are defined as follows:

A) REVENUE

- **Municipal taxes** include all annual municipal property taxes and excludes all special assessments and requisitions.
- **Sale of services** includes all third-party revenues generated through the normal course of business, including revenues generated by, but not limited to facility usage, parking, natural gas, electric, water, sewer and solid waste revenues and sale of land.
- **Investment income** includes all investment revenue earned on account of short-term and long-term deposits and investments.
- **Licenses, fines and penalties** includes all revenue received for business licenses, development permits, photo radar tickets, speeding tickets and penalties charged on overdue accounts.
- **Insurance recovery** includes monies received on account of City insurance claims.
- **Development levies** are charges to developers to help cover the cost of city services provided to their development.
- **Government transfers for operating** include provincial and/or federal transfers provided to the City to fund operating activities.
- **Other** includes any minor sources of revenue not appropriately categorized above.
- **Internal recoveries** include recoveries for services provided by one City department to another.
- **Contribution from reserves** includes funds transferred from reserves as per the Financial Reserve Policy #0168 and the Distributable Funds/Dividend Policy #0169. The funds are transferred to a corporate reserve fund before being distributed to business units and allocated to the appropriate restricted reserves.
- **Transfers from Utilities and Land** include contributions from Utilities and Land to tax supported operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

B) EXPENSES

- **Salaries, wages, and benefits** include all salaries, wages (including overtime, statutory holidays, shift differential, relief time), employee benefit charges, clothing and cleaning allowance, car allowance, training, travel and memberships and dues.
- **Contracted and general services** include all contracts and other costs relating to services provided by third parties.
- **Materials, goods, and utilities** include items purchased from a third party or issued from stores and natural gas, electric, water, sewer and solid waste costs.
- **Provisions for allowances** include provisions made for anticipated uncollectible accounts receivable.
- **Bank charges and short-term interest** include regular bank charges on the City's bank accounts, automated teller machines at various facility sites and interest charges on our line of credit.
- **Interest on long-term debt** includes interest charge on the principal portion of loans.
- **Total grants and other transfers** include grants from the City to other organizations or individuals as well as transfers on behalf of other organizations.
- **Other operating expenses** include any minor operating expenses not appropriately categorized above.
- **Amortization of tangible capital assets** is a way of representing, for accounting purposes, how capital assets decline in value over time because of wear and obsolescence. Hard assets such as roads and machinery depreciate over time and must eventually be replaced. Amortization shows the cost of the "use of the asset" each year over the life of the asset.
- **Accretion on asset retirement obligations** is the periodic recognition of an expense associated with the increase in the present value of the asset retirement obligation liability over time.
- **Impairments** are the expenses recorded to reduce the value of assets, when the assets are worth less on the market than the value listed on the company's balance sheet. A test is completed each year to compare the carrying amount of the asset to the market value. If the carrying amount is higher than the market value, then the asset is considered impaired and must be written down to its fair value. **Recoveries** are recorded when factors or circumstances that triggered the original impairment have changed. Impairments can be reversed up to the amount necessary to restore the asset to its pre-impairment carrying amount, less any subsequent depletion and depreciation that would have been recognized.
- **Loss (gain) on disposal of tangible capital assets** reflects the difference between the net proceeds on disposal of a tangible capital asset and the net carrying amount of that asset. If the net carrying amount is higher than the net proceeds on disposal, there is a loss on disposal. If the net carrying amount is lower than the net proceeds on disposal, there is a gain on disposal.
- **Internal charges and transfers** include costs of services provided by one department to another, as well as transfers between City departments.
- **Contribution to reserves** includes funds transferred from the business units to the restricted reserve funds as per the Financial Reserve Policy #0168 and the Distributable Funds/Dividend Policy #0169.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

(in thousands of dollars)

NOTE 27: COMPARATIVE INFORMATION

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year surplus.

NOTE 28: SUBSEQUENT EVENTS

- a) On February 2, 2026, City Council approved proceeding with the Saamis Solar Park project, representing a capital commitment of \$131.5 million. The approval authorizes the development of a major solar generation facility within City limits, subject to the satisfaction of specified commercial and regulatory conditions prior to construction. Funding for the project will be sourced from the City's Energy Transition Reserve and debt financing. As of the consolidated financial statement date, no capital expenditures, contractual obligations, or financing arrangements related to the project had been executed.
- b) On February 26, 2026, WestJet Airlines announced that it will cease servicing the Medicine Hat Municipal Airport, effective June 24, 2026. This event has an estimated future financial impact of \$0.4 million on the Medicine Hat Municipal Airport and as such, has been disclosed to ensure users are aware of its possible implications for future periods.

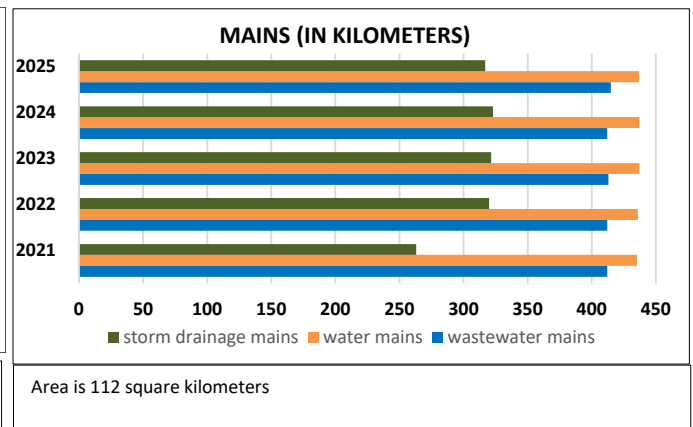
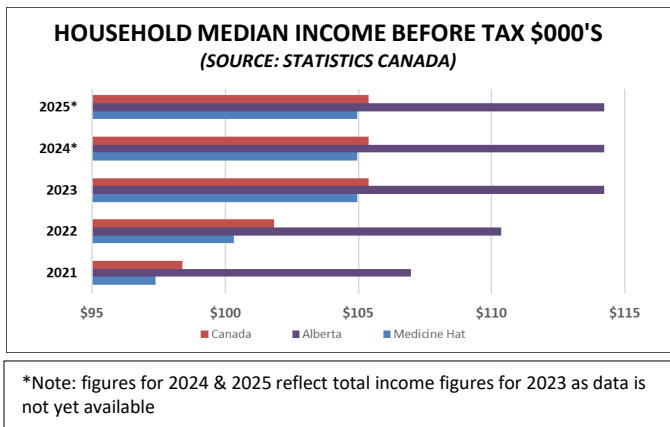
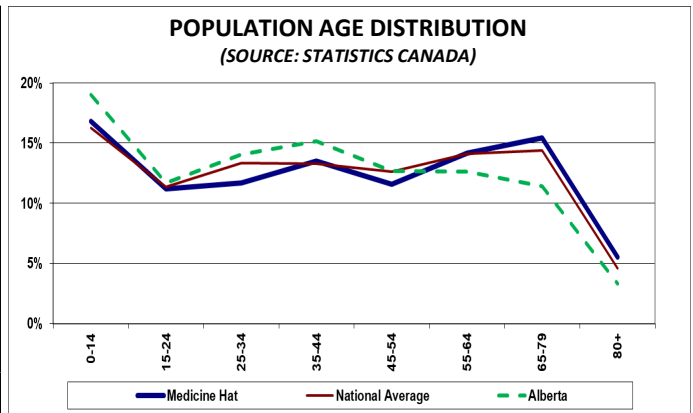
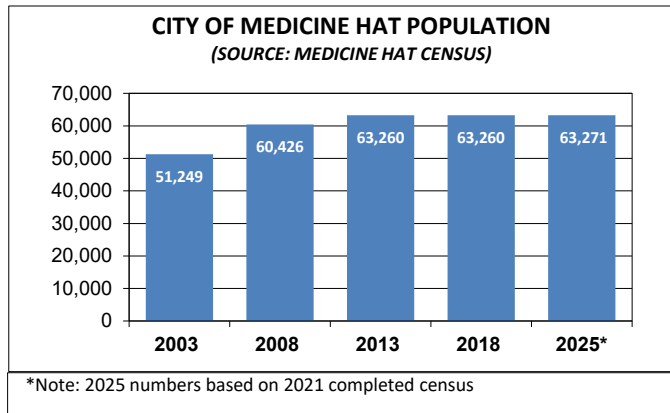
NOTE 29: APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

Financial and Statistical Schedules (unaudited)

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

DEMOGRAPHICS & OTHER INFORMATION



LARGEST CORPORATE TAXPAYERS IN MEDICINE HAT

Medicine Hat Mall Inc
The Meadowlands Development Corporation
Skyline Retail Real Estate Holdings Inc
South Country Co-op Limited
Canadian Tire Properties

Avenue Living (2014) GP Ltd
Cancarb Limited
Chinook Village Housing Society
Wal-Mart Canada Corp
Royop (Southlands) Development Ltd

LARGEST EMPLOYERS IN MEDICINE HAT

Public

Medicine Hat Regional Hospital
City of Medicine Hat
Medicine Hat School District
Medicine Hat College
Province of Alberta

Private

South Country Co-op (all locations)
The Real Canadian Superstore
Canadian Pacific Railway
Wal-Mart
Goodyear

BUDGETED FULL TIME EQUIVALENTS (FTE'S) - EMPLOYEE'S

	2024	2025
General Government	77.0	74.4
Corporate Services	203.8	203.8
Public Services	391.4	400.1
Police	159.5	164.5
Energy, Land & Environment	193.4	186.9
Development & Infrastructure	236.0	235.0
Total FTE'S	1,261.1	1,264.7

Note: In 2024, the City of Medicine Hat changed the methodology from tracking the numbers of positions from Permanently Established Positions (PEP's) to Full Time Equivalents (FTE's). This data is not available prior to 2024.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 2021 - 2025

(In thousands of dollars)

STATEMENT OF FINANCIAL POSITION

	2025	2024	2023	2022	2021
Financial assets					
Cash and cash equivalents	\$ 76,375	\$ 42,058	\$ 66,386	\$ 44,188	\$ 68,004
Accounts receivable (net of allowances)	56,914	53,968	51,796	97,523	78,551
Investments, loans & advances	764,153	711,720	666,659	638,946	507,362
Land and other assets held for resale	7,887	10,691	10,333	10,523	10,653
Inventories for resale	152	106	144	151	140
Deposits	2,034	3,743	5,032	1,166	3,720
Total financial assets	907,515	822,286	800,350	792,497	668,430
Liabilities					
Trade accounts payable	26,037	45,535	30,480	55,598	36,835
Accrued liabilities	21,366	24,439	21,300	26,417	22,100
Deferred revenue & government transfers	34,041	27,961	45,048	58,468	61,498
Long-term debt	418,502	363,118	389,654	418,581	406,316
Asset retirement obligation	186,084	137,672	254,568	217,086	278,142
Other long-term liabilities	37,978	36,266	31,768	27,757	26,670
Total liabilities	724,008	634,991	772,818	803,907	831,561
Net financial assets (debt)	183,507	187,295	27,532	(11,410)	(163,131)
Non-financial assets					
Inventories for consumption	20,860	19,086	18,633	15,620	14,317
Prepaid assets	9,048	17,913	3,697	2,917	3,102
Land held for future development	18,738	18,981	17,560	17,288	16,479
Tangible capital assets	1,509,289	1,444,919	1,435,449	1,430,018	1,422,542
Total non-financial assets	1,557,935	1,500,899	1,475,339	1,465,843	1,456,440
Accumulated surplus	\$ 1,741,442	\$ 1,688,194	\$ 1,502,871	\$ 1,454,433	\$ 1,293,309
Accumulated surplus consists of the following:					
Unappropriated surplus	1,702,646	1,662,749	1,517,401	1,454,433	1,293,309
Accumulated remeasurement gains (losses)	38,796	25,445	(14,530)	-	-
Total accumulated surplus	\$ 1,741,442	\$ 1,688,194	\$ 1,502,871	\$ 1,454,433	\$ 1,293,309

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 2021 - 2025

(In thousands of dollars)

STATEMENT OF OPERATIONS

	2025	2024	2023	2022	2021
REVENUE:					
Taxes	\$ 117,869	\$ 110,121	\$ 104,915	\$ 101,164	\$ 97,977
Less - requisitions	(31,235)	(28,133)	(26,778)	(26,734)	(26,067)
	86,634	81,988	78,137	74,430	71,910
Sale of services					
General Government and Council	6,377	6,354	5,004	3,142	3,055
Corporate Services and Other Supports	805	740	802	782	778
Parks, Recreation and Culture	11,509	10,976	11,806	9,502	4,572
Emergency Services	742	912	874	863	674
Planning and Infrastructure	589	624	631	523	355
Gas	25,597	22,990	27,618	46,549	36,361
Electric	140,948	155,573	262,830	292,563	196,393
Environmental Utilities	61,445	59,295	57,571	55,982	54,790
Land	6,184	2,282	1,891	3,701	4,082
Other income					
Investment income	70,599	53,140	23,332	6,954	41,572
Licenses, fines and penalties	6,039	5,351	4,464	5,313	6,142
Insurance recovery	359	333	129	336	2,895
Development levies	798	1,058	1,321	896	1,674
Government transfers for operating	7,676	7,984	12,947	16,643	5,223
Other	9,732	18,882	21,480	7,756	13,342
Total revenue	\$ 436,033	\$ 428,482	\$ 510,837	\$ 525,935	\$ 443,818
EXPENSES:					
General Government and Council	\$ 12,175	\$ 10,959	\$ 39,632	\$ 9,825	\$ 7,137
Corporate Services and Other Supports	72,735	70,515	65,329	59,635	56,252
Parks, Recreation and Culture	52,348	51,423	46,652	43,155	35,601
Emergency Services	48,981	46,621	44,452	42,044	39,575
Planning and Infrastructure	31,929	31,454	31,186	29,216	28,158
Gas	75,160	(24,817)	101,755	72,234	130,116
Electric	81,407	86,429	102,804	96,228	84,824
Environmental Utilities	42,338	40,678	40,190	35,837	34,737
Land	3,561	1,284	1,429	3,335	3,565
Total expenses	\$ 420,634	\$ 314,546	\$ 473,429	\$ 391,509	\$ 419,965
Excess (Deficiency) of revenue over expenses					
- before other revenue	\$ 15,399	\$ 113,936	\$ 37,408	\$ 134,426	\$ 23,853
Other					
Contributed tangible capital assets	11,537	1,195	625	133	2,195
Government transfers for capital	12,961	30,217	24,935	26,565	29,455
Total other	24,498	31,412	25,560	26,698	31,650
Annual (deficit) surplus	\$ 39,897	\$ 145,348	\$ 62,968	\$ 161,124	\$ 55,503

Trends:

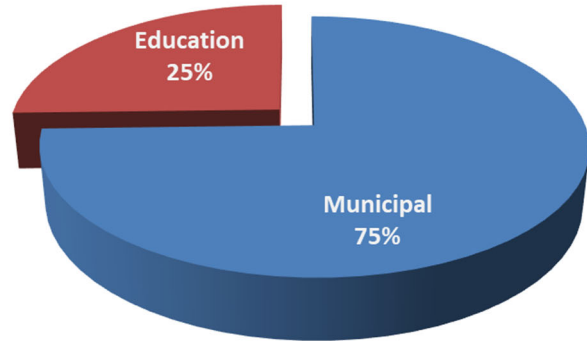
Revenue has remained consistent with 2024, which has seen an overall drop from previous years as Electric and Gas commodity prices return to historic levels. The decline in commodity prices has been offset with the high performance of investment markets. Investments returns have continued to exceed prior year amounts as the market continues to recover from the economic decline in 2022 as well as the recognition of gains related to rebalancing portfolios. In addition, Land saw a significant increase in revenue from prior years due to the implementation of the new land strategy and increased residential lot sales.

Expenses have fluctuated the last five years with increases mainly attributable to inflationary cost pressures, volatile electric and gas commodity prices and various union contract settlements. 2024 trended lower than other years as there was a significant recovery on impairment of oil and gas assets and land inventory recorded. The increase in 2023 for General Government and Council was due to providing a one-time \$33.2 million cost relief pressure program to residents to assist with the high cost of living. Corporate Services and Other Supports expenses have increased as a result of various re-organizations which moved departments into this service area.

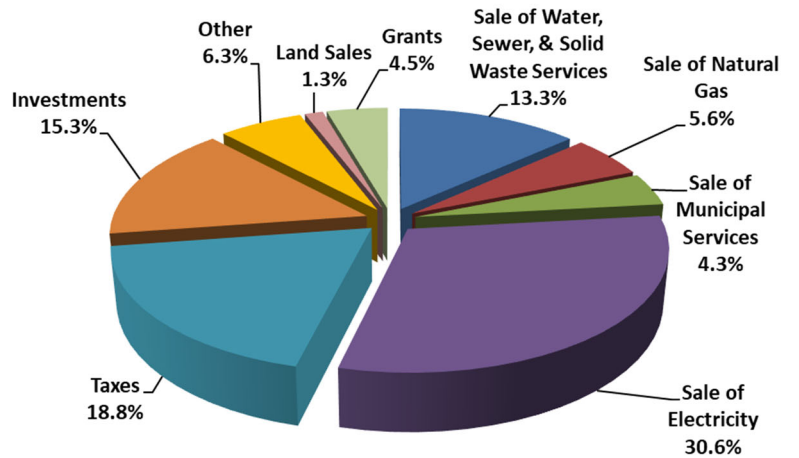
FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

Financial Synopsis: 2025 Operating Activities

Where our tax dollars went in 2025
Education / Municipal
Property Tax

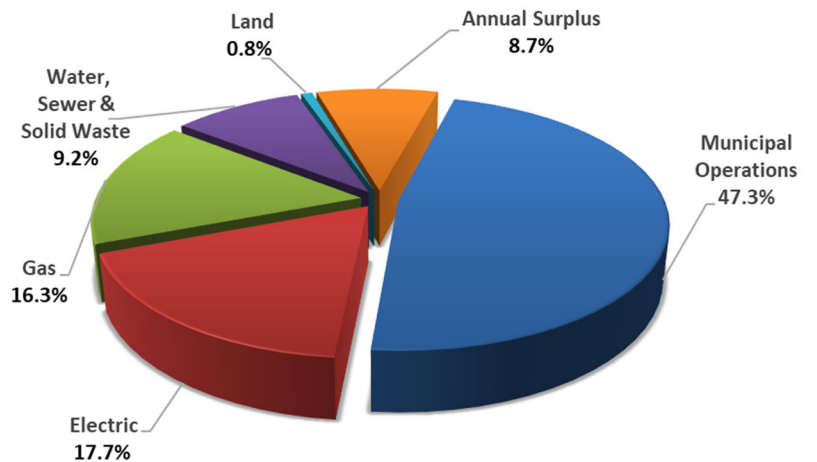


Where the money comes from \$461 Million



Where the money goes
\$461 Million

(*excluding non-cash expenses: amortization, accretion, loss on disposal of assets, impairments)



FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021 - 2025

TAXATION & ASSESSMENT

MILL RATES

	2025	2024	2023	2022	2021
MUNICIPAL					
Single family	6.9063	6.7838	6.6744	6.8108	6.8034
Apartments	7.7625	7.7542	7.8755	7.9557	8.3090
Farmland	17.7094	17.2889	17.1955	17.3438	16.4809
Commercial and industrial	16.3120	16.1707	15.9113	15.7962	15.2807
EDUCATION					
Single family	2.6493	2.494	2.4307	2.6137	2.5465
Apartments	2.6493	2.494	2.4307	2.6137	2.5465
Farmland	2.6493	2.494	2.4307	2.6137	2.5465
Commercial and industrial	4.0467	3.6122	3.7149	4.1613	3.7467
OTHER					
Single family	0.1191	0.1256	0.1278	0.1053	0.1067
Apartments	0.1191	0.1256	0.1278	0.1053	0.1067
Farmland	0.1191	0.1256	0.1278	0.1053	0.1067
Commercial and industrial	0.1191	0.1256	0.1278	0.1053	0.1067

PROPERTY TAXES LEVIED (In thousands of dollars)

PROPERTY TAX LEVY	2025	2024	2023	2022	2021
Municipal	\$ 85,742	\$ 81,136	\$ 77,219	\$ 73,567	\$ 71,138
Education	29,954	26,825	25,500	25,741	25,087
Other	1,281	1,308	1,278	993	980
TOTAL REAL PROPERTY	\$ 116,977	\$ 109,269	\$ 103,997	\$ 100,301	\$ 97,205
Current taxes collected	111,792	104,547	99,436	96,318	92,067
% of current taxes collected (includes real + linear property taxes)	95.06%	95.13%	95.03%	95.40%	94.19%
OTHER MAJOR TAXES LEVIED					
Linear property taxes	\$ 625	\$ 628	\$ 639	\$ 660	\$ 545
Local improvements	267	224	279	203	227
TOTAL MAJOR TAX LEVIED	\$ 892	\$ 852	\$ 918	\$ 863	\$ 772

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2025	2024	2023	2022	2021
Residential	\$ 8,098,646,385	\$ 7,732,741,596	\$ 7,456,353,374	\$ 6,998,752,689	\$ 6,748,869,568
Multi-family	414,433,700	411,567,461	391,393,709	347,462,670	324,069,416
Farmland	1,067,980	1,032,600	1,051,000	1,095,600	1,196,118
Commercial and industrial	2,139,426,830	2,096,551,123	2,038,617,038	1,920,232,705	1,945,336,496
TOTAL TAXABLE ASSESSMENT	\$ 10,653,574,895	\$ 10,241,892,780	\$ 9,887,415,121	\$ 9,267,543,664	\$ 9,019,471,598

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021 - 2025

(In thousands of dollars)

SUMMARY OF UNRESTRICTED SURPLUS AND RESTRICTED SURPLUS - RESERVES

UNRESTRICTED SURPLUS	2025	2024	2023	2022	2021
General	\$ 7,734	\$ 9,317	\$ 9,171	\$ 12,274	\$ 12,185
Gas	50,818	51,311	215,971	15,607	(1,973)
Electric	(9,327)	(11,377)	(16,304)	6,339	(10,682)
Water	18,183	14,475	16,210	19,525	18,439
Sewer	3,752	7,464	7,137	8,973	6,296
Solid Waste	18,618	18,944	16,773	14,129	11,890
Land	22,069	24,400	25,008	20,286	21,360
TOTAL UNRESTRICTED SURPLUS	111,847	114,534	273,966	97,133	57,515
RESTRICTED SURPLUS - RESERVES					
Operating	42,785	35,437	31,972	39,997	35,822
Capital	271,322	208,471	226,713	154,042	156,475
Medicine Hat Endowment Fund	219,915	207,632	193,523	159,179	60,630
Abandonment Obligations	65,805	76,273	-	-	-
Energy Transition	86,269	76,273	-	-	-
TOTAL RESTRICTED SURPLUS - RESERVES	686,096	604,086	452,208	353,218	252,927
TOTAL RESERVES & SURPLUS	\$ 797,943	\$ 718,620	\$ 726,174	\$ 450,351	\$ 310,442

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021 - 2025

(In thousands of dollars)

LONG TERM DEBT

	2025	2024	2023	2022	2021
LONG TERM DEBT					
Debt supported by taxes	\$ 53,921	\$ 25,351	\$ 28,340	\$ 31,757	\$ 34,387
Debt supported by utilities	364,581	337,767	361,314	386,824	371,929
TOTAL TAX SUPPORTED AND UTILITIES DEBT	\$ 418,502	\$ 363,118	\$ 389,654	\$ 418,581	\$ 406,316

DEBT PER CAPITA

(not in thousands of dollars)

	2025	2024	2023	2022	2021
Tax supported	\$ 852	\$ 401	\$ 448	\$ 502	\$ 543
Utility supported	5,762	5,338	5,711	6,114	5,878
TOTAL DEBT PER CAPITA	\$ 6,614	\$ 5,739	\$ 6,159	\$ 6,616	\$ 6,421

LONG & SHORT-TERM DEBT CHARGES AS A % OF TOTAL EXPENSES

	2025	2024	2023	2022	2021
Actual debt servicing (long and short term)	\$ 37,568	\$ 38,693	\$ 42,086	\$ 41,666	\$ 39,224
Total operating expenses	420,634	314,546	473,429	391,509	401,742
PERCENTAGE	8.93%	12.30%	8.89%	10.64%	9.76%

LEGAL DEBT LIMIT

	2025	2024	2023	2022	2021
Debt limit	\$ 872,066	\$ 856,964	\$ 1,021,674	\$ 1,051,870	\$ 887,636
Long-term debt	418,502	363,118	389,654	418,581	406,316
Loan guarantees	889	984	1,072	1,157	1,244
Corporate credit card debt	515	574	726	841	-
Letters of credit issued	45,360	63,598	45,360	45,360	46,960
AMOUNT UNDER LIMIT	\$ 406,800	\$ 428,690	\$ 584,862	\$ 585,931	\$ 433,116
Percentage used	53.35%	49.98%	42.75%	44.30%	51.21%

DEBT SERVICING LIMIT

	2025	2024	2023	2022	2021
Debt servicing limit	\$ 152,612	\$ 149,969	\$ 178,793	\$ 184,077	\$ 155,336
Actual debt servicing (short and long term)	37,568	38,693	42,086	41,666	39,224
AMOUNT UNDER LIMIT	\$ 115,044	\$ 111,276	\$ 136,707	\$ 142,411	\$ 116,112
Percentage used	24.62%	25.80%	23.54%	22.64%	25.25%

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021 - 2025

(In thousands of dollars)

CONSOLIDATED EXPENSES BY OBJECT

	2025 Budget	2025 Actual	2024 Actual	2023 Actual	2022 Actual	2021 Actual
Salaries, wages and benefits	\$ 157,293	\$ 160,087	\$ 151,419	\$ 141,168	\$ 133,412	\$ 128,326
Contracted and general services	64,996	57,561	67,348	58,868	50,157	43,289
Materials, goods and utilities	33,075	32,651	28,137	24,209	24,246	28,562
Provisions for allowances	285	574	788	404	650	1,238
Bank charges and short term interest	363	511	452	397	358	468
Interest on long-term debt	12,738	12,701	12,060	13,014	12,081	11,488
Total grants and other transfers	3,985	6,518	5,016	4,703	4,078	5,199
Other operating expenses (Schedule 5A)	59,594	59,316	52,598	123,469	150,937	85,893
Amortization of tangible capital assets	88,089	84,574	84,605	84,672	90,254	84,913
Accretion on asset retirement obligations	7,946	9,531	7,740	7,951	10,751	10,058
Recoveries	-	(5,471)	(96,419)	13,941	(84,424)	13,574
Loss on disposal of tangible capital assets	-	2,081	802	633	(991)	6,957
TOTAL EXPENSES	\$ 428,364	\$ 420,634	\$ 314,546	\$ 473,429	\$ 391,509	\$ 419,965

SCHEDULE OF CAPITAL SEGMENTED REPORTING (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2021-2025

(In thousands of dollars)

	2025	2024	2023	2022	2021
Capital Expenditures:					
Municipal services	\$ 46,594	\$ 40,321	\$ 28,927	\$ 29,439	\$ 40,905
Gas utility	4,147	4,532	6,380	3,604	2,603
Electric utility	32,389	32,661	16,005	27,115	31,986
Environmental utilities	24,424	36,348	22,881	15,610	23,824
Land development and real estate	34	123	(307)	674	4,370
Total Capital Spending	107,588	113,985	73,886	76,442	103,688
Financing Sources Applied:					
Contributed assets - private	6,866	195	625	133	2,195
Debt - ACFA	80,556	-	-	41,741	37,940
Debt - internal	2,048	1,324	1,239	5,569	4,459
Developers levies	5,468	2,058	1,321	896	1,675
Government transfers	12,961	30,217	24,935	26,565	29,455
From (to) operating	32,916	54,479	32,005	14,622	14,997
From (to) reserves	28,167	11,907	12,795	12,234	4,248
Total Funding	168,982	100,180	72,920	101,760	94,969
Increase (decrease) in fund balance	61,394	(13,805)	(966)	25,318	(8,719)
Capital fund balance, beginning of year	16,126	29,931	30,897	5,579	14,298
Capital fund balance, end of year	\$ 77,520	\$ 16,126	\$ 29,931	\$ 30,897	\$ 5,579

OUR VISION

To make Medicine Hat a “community of choice.”

OUR MISSION

To deliver value through exceptional public service.

OUR VALUES

We are committed to the following core values, which we believe enable us to achieve our vision:

- Accountability & Delivery
- Collaboration
- Learning & Evolving
- Care & Service

MEDICINE HAT COUNCIL'S STRATEGIC PLAN 2023 - 2026

Six strategic priorities:

- Innovation
- Economic Evolution
- Service Orientation
- Partnerships and Governance
- Community Wellness
- Resilience and Sustainability

