

**TOWN OF THREE HILLS**

**Year Ended December 31, 2023**

## FINANCIAL STATEMENTS

**Town of Three Hills  
Consolidated Financial Statements  
For the year ended December 31, 2023**

## Management's Responsibility for Financial Reporting

Management of the Town of Three Hills is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the town's financial position as of December 31, 2023 and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

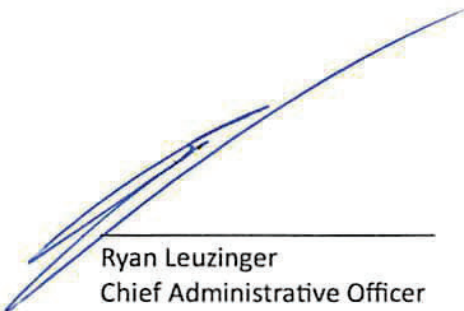
The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the consolidated financial statements are presented fairly in all material respects.

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 and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized, and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The elected Council of the Town of Three Hills is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Council approves the engagement or re-appointment of the external auditors and reviews the quarterly financial reports.

The consolidated financial statements have been audited by BDO Canada LLP, Chartered Professional Accountants, independent external auditors appointed by the town, in accordance with Canadian auditing standards on behalf of Council, residents and ratepayers of the Town.



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Ryan Leuzinger  
Chief Administrative Officer  
September 23, 2024

**Town of Three Hills**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2023**

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## Independent Auditor's Report

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To the Mayor and Council of the Town of Three Hills

### Opinion

We have audited the consolidated financial statements of the Town of Three Hills and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of operations, consolidated statement of changes in net financial assets, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects on the comparative information of the matter described in the *Basis for Qualified Opinion* paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated results of its operations, change in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

### Basis for Qualified Opinion

Effective January 1, 2023, the Town was required to adopt PS 3280 Asset Retirement Obligations which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Under the modified retroactive application method, the asset retirement obligation on transition is to be recorded using assumptions as of January 1, 2023. The corresponding asset retirement cost is added to the carrying value of the related tangible capital assets adjusted for amortization since the time the legal obligation was incurred. The net adjustment is charged to accumulated surplus. Comparative figures are to be restated to reflect this change in accounting policy. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations. As a result, it is not possible to quantify the impact of this departure from Canadian public sector accounting standards on expenses and annual surplus for the years ended December 31 2023 and 2022, tangible capital assets and the asset retirement obligation as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years.

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 Group 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 qualified opinion.

### Emphasis of Matter - Restated Comparative Information

We draw attention to Note 20 of the financial statements, which explains that certain comparative information for the year ended December 31, 2023 has been restated. Our opinion is not modified with respect of this matter.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants,

*BDO Canada LLP*

Red Deer, Alberta

September 23, 2024

**Town of Three Hills**  
**Consolidated Statement of Financial Position**

December 31	2023	2022 Restated (see Note 20)
<b>Financial assets</b>		
Cash and temporary investments (Note 2)	\$ 12,662,572	\$ 9,742,521
Receivables		
Taxes and grants in place of taxes (Note 3)	419,649	246,611
Trade and other receivables (Note 4)	2,939,281	3,977,175
Investments	50	50
Loans receivable (Note 5)	243,432	323,891
	16,264,984	14,290,248
<b>Liabilities</b>		
Accounts payable and accrued liabilities	822,948	557,834
Employee benefit obligation (Note 6)	165,586	213,809
Deposit liabilities	36,499	63,051
Deferred revenue (Note 7)	2,759,649	2,664,629
Long-term debt (Note 8)	6,710,921	7,355,139
Solid waste closure and post-closure liabilities (Note 9)	326,798	326,798
	10,822,401	11,181,260
<b>Net financial assets</b>	<b>5,442,583</b>	<b>3,108,988</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	55,362,501	55,801,049
Land inventory held for resale	689,990	689,990
Inventory held for resale	361,312	365,224
Inventory for consumption	135,041	138,950
Prepaid expenses	6,592	34,676
	56,555,436	57,029,889
<b>Accumulated surplus (Note 12)</b>	<b>\$ 61,998,019</b>	<b>\$ 60,138,877</b>
Debenture debt limits (Note 14)		
Contingencies (Note 15)		
Commitments (Note 16)		



**Town of Three Hills**  
**Consolidated Statement of Operations**

For the year ended December 31	Budget 2023	2023	2022 Restated (see Note 20)
<b>Revenue</b>			
Net municipal taxes (Note 17)	\$ 2,954,410	\$ 3,527,235	\$ 3,328,793
Government transfers for operating (Note 18)	266,700	452,880	444,071
Sales and user fees	4,567,960	4,704,350	4,288,242
Rental revenue	159,630	172,906	146,808
Franchises and concessions	469,200	449,964	407,744
Investment income	391,880	559,906	246,537
Penalties and costs on taxes	57,610	55,482	44,441
Fines and costs	6,620	2,590	5,694
Insurance proceeds	45,000	874,183	2,370,716
Other	313,190	382,350	333,692
	<u>9,232,200</u>	<u>11,181,846</u>	<u>11,616,738</u>
<b>Expenditures (Note 19)</b>			
Legislative	221,520	202,625	180,934
Administration	1,019,740	1,054,337	971,284
Protective services	443,000	301,793	326,376
Transportation services	2,028,540	1,712,416	1,904,878
Water and wastewater	3,012,710	3,402,056	5,372,320
Waste management	-	335,574	215,127
Planning and development	266,570	279,553	221,613
Recreation and parks	2,240,120	2,361,889	2,357,278
Public health and welfare	-	49,761	48,157
Loss on disposal of assets	-	-	129,143
	<u>9,232,200</u>	<u>9,700,004</u>	<u>11,727,110</u>
<b>Deficiency of revenue over expenditures - before other</b>	-	1,481,842	(110,372)
<b>Other</b>			
Government transfers for capital (Note 18)	2,657,920	377,300	957,323
Other capital revenues	50,000	-	-
<b>Excess of revenue over expenditures</b>	<u>2,707,920</u>	<u>1,859,142</u>	<u>846,951</u>
<b>Accumulated surplus, beginning of year</b>	<u>60,138,877</u>	<u>60,138,877</u>	<u>59,291,926</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 62,846,797</u>	<u>\$ 61,998,019</u>	<u>\$ 60,138,877</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

**Town of Three Hills**  
**Consolidated Statement of Change in Net Financial Assets**

For the year ended December 31	Budget 2023	2023	2022 Restated (see Note 20)
Excess of revenue over expenditures	\$ 2,707,920	\$ 1,859,142	\$ 846,951
Acquisition of tangible capital assets	(6,065,000)	(1,870,049)	(1,811,916)
Amortization of tangible capital assets	2,308,597	2,308,597	2,331,115
Write-down of land inventory held for resale	-	-	104,499
Loss on sale of tangible capital assets	-	3	129,142
	(1,048,483)	2,297,693	1,599,791
Change in prepaid expenses	-	28,084	(34,375)
Change in inventory for consumption	-	3,906	(8,758)
Change in land inventory held for resale	-	(689,990)	(689,990)
Change in inventory held for resale	-	(361,312)	(365,224)
	-	(1,019,312)	(1,098,347)
<b>Net change in net financial assets</b>	(1,048,483)	1,278,381	501,444
<b>Net financial assets, beginning of year</b>	3,108,988	3,108,988	2,607,544
<b>Net financial assets, end of year</b>	\$ 2,060,505	\$ 5,442,583	\$ 3,108,988

**Town of Three Hills**  
**Consolidated Statement of Cash Flows**

For the year ended December 31	2023	2022 Restated (see Note 20)
<b>Operating transactions</b>		
Excess of revenue over expenditures	\$ 1,859,142	\$ 846,951
Items not involving cash		
Amortization	2,308,597	2,331,115
Net loss on disposal of tangible capital assets	3	129,142
Changes in non-cash operating balances		
Taxes receivable	(173,038)	(31,568)
Accounts receivable	1,037,894	(2,456,912)
Land inventory held for resale	-	116,685
Inventory held for resale	3,912	(342,405)
Loan receivable	80,459	-
Prepaid expenses	28,084	(34,375)
Accounts payable and accrued liabilities	265,114	(171,548)
Inventory for consumption	3,906	(8,758)
Employee benefit obligation	(48,223)	(48,207)
Deposit liabilities	(26,552)	(30,864)
Deferred revenue	95,020	372,729
Solid waste closure and post closure liabilities	-	(124,606)
	<b>5,434,318</b>	<b>547,379</b>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	(1,870,049)	(1,811,916)
Proceeds on sale of tangible capital assets	-	104,499
	<b>(1,870,049)</b>	<b>(1,707,417)</b>
<b>Financing transactions</b>		
Proceeds from issuance of long-term debt	-	1,050,000
Repayment of long-term debt	(644,218)	(529,661)
	<b>(644,218)</b>	<b>520,339</b>
<b>Net change in cash and cash equivalents</b>	<b>2,920,051</b>	<b>(639,699)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>9,742,521</b>	<b>10,382,220</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,662,572</b>	<b>\$ 9,742,521</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

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**Town of Three Hills**  
**Summary of Significant Accounting Policies**

**December 31, 2023**

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**Significant Accounting Policies**

**Management's  
Responsibility for the  
Financial Statements**

The consolidated financial statements of the Town are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

**Reporting Entity**

The consolidated financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the Town and are, therefore, accountable to the Town Council for the administration of their financial affairs and resources. Included with the municipality are the following:

Three Hills Municipal Library

The schedule of taxes levied also includes operational requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statement excludes trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

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

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

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**Town of Three Hills**  
**Summary of Significant Accounting Policies**

**December 31, 2023**

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**Cash and Cash**

**Equivalents** Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

**Financial Instruments** Cash and equity instruments quoted in an active market are measured at fair value (hierarchy level one - quoted market prices). All other financial instruments, are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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**Town of Three Hills**  
**Summary of Significant Accounting Policies**

**December 31, 2023**

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**Land Held for Resale** Land held for resale is recorded at lower of cost or net realizable value. Cost includes costs for land acquisition and improvements required to prepare the land for servicing such as clearing, stripping and leveling charges. Related development costs incurred to provide infrastructure such as water and wastewater services, roads, sidewalks and street lighting are recorded as physical assets under their respective function.

**Inventory for Consumption** Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost. Inventory of gravel is maintained by perpetual records and is recorded in the accounts to the extent of royalties, land costs, crushing costs incurred, hauling and equipment rentals.

**Excess Collections and Under-levies** Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections.

**Tangible Capital Assets** Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 25 years
Buildings	25 to 50 years
Engineered Structures	
Roadway system	10 to 40 years
Water system	45 to 75 years
Wastewater system	45 to 60 years
Storm system	30 to 75 years
Other engineered structures	30 to 75 years
Machinery and equipment	5 to 25 years
Vehicles	10 to 25 years

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

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

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**Town of Three Hills**  
**Summary of Significant Accounting Policies**

**December 31, 2023**

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<b>Leased Assets</b>	Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the Town, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.
<b>Government Transfers</b>	Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.
<b>Tax Revenue</b>	Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred. Requisitions operate as a flow through and are excluded from municipal reserve. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
<b>Revenue Recognition</b>	<p>Revenue from transactions with no performance obligation is recognized at realizable value when the Town has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.</p> <p>Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Licenses and permits with a single performance obligation at a point in time are recognized as revenue on issuance, those which result in continued performance obligation over time are recognized over the period of the license or permit as the performance obligation is satisfied.</p>
<b>Liability for Contaminated Sites</b>	A contaminated site applies to liabilities for remediation that result from unexpected events that result in contamination. The liability for remediation of a contaminated site is recognized when the town is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring.

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**Town of Three Hills**  
**Summary of Significant Accounting Policies**

**December 31, 2023**

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**Use of Estimates**

The preparation of consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management estimates are used in determining the useful life of tangible capital assets, site contamination liabilities, and assumptions in employee sick leave obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Asset Retirement**

**Obligation**

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Town to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, or the amount of the original estimate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. As of December 31, 2023, the Town has not yet applied PS 3280.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**1. Change in Accounting Policy: PS 3450 Financial Instruments**

PS 3450 provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Town. Management has reviewed the standard and all the financial statements and determined the Town does not have derivative or equity instruments. The financial instruments have been measured based on the significant accounting policy. Refer to Note 24 on the Town's financial instrument risk.

**2. Cash and Temporary Investments**

	2023	2022
Cash	\$ 2,969,440	\$ 9,742,521
Notice on Amount 90 Days	5,708,276	-
MUSH Savings	3,984,856	
	\$ 12,662,572	\$ 9,742,521

The Town has available to it an operating line of credit with ATB Financial, having an authorized limit of \$1,060,000, which bears interest at prime plus 1.00%. As at December 31, 2023 - \$0 was drawn on this line of credit. The full amount of which is available for cash flow management as necessary. Interest rates on NOA 90 days and MUSH savings are 1.450-7.200 %

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects:

	2023	2022 Restated (see Note 20)
MSI - Capital	\$ 681,484	\$ 72,876
Federal Gas Tax Fund	405,980	386,550
AMWWP	97,079	200,000
Other	81,895	211,619
	\$ 1,266,438	\$ 871,045

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**3. Taxes and Grants in place of taxes**

	2023	2022
Current taxes and grants in place	\$ 209,482	\$ 96,348
Non-current taxes and grants in place	210,167	150,263
	<u>\$ 419,649</u>	<u>\$ 246,611</u>

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**4. Accounts Receivable**

	2023	2022
Trade receivables	\$ 1,388,033	\$ 2,096,815
GST receivable	79,919	108,658
Receivables from other governments	1,493,211	1,793,584
Less: Allowance for doubtful accounts	(21,882)	(21,882)
	<u>\$ 2,939,281</u>	<u>\$ 3,977,175</u>

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**5. Loans Receivable**

	2023	2022
Three Hills Curling Club (THCC) loan receivable	<u>\$ 243,432</u>	<u>\$ 323,891</u>

The THCC loan relates to the reimbursement of costs incurred by the Town to upgrade an ice plant. The loan bears interest at 0% and is repayable in annual principal payments of \$11,169. The loan matures in December 2051.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**6. Employee Benefit Obligation**

	2023	2022
Accrued vacation pay	\$ 52,178	\$ 71,023
Accrued sick leave benefit	110,458	135,867
Accrued flex time benefit	2,950	6,919
	<u>\$ 165,586</u>	<u>\$ 213,809</u>

Accrued vacation pay is comprised of the vacation that employees are deferring to future years.

The Town provides paid sick leave at a rate of one day per month, and can accumulate to a maximum of forty-eight (48) work days. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year. Employees that retire and/or resign shall receive from the Town a pay-out of their accumulated sick bank based on the following; after twenty (20) years of service - fifty (50) percent pay-out of accumulated sick days. Management recorded five days for each employee, based on the Town's short-term disability plan starts after five consecutive days. The Town also recorded 50% of the total sick time if the employee has 18 or more years of service. Significant inputs used in the estimate of sick leave accrual include employee 2023 hourly rate of pay and accrued sick leave hours. However, other key assumptions that should impact this calculation have not been considered and it is likely that the liability has been overstated.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**7. Deferred Revenue**

	Opening balance Restated (see Note 20)	Contributions received or receivable	Revenue recognized	Ending balance
MSI - Capital	\$ 1,258,439	381,537	(274,378)	\$ 1,365,598
Federal Gas Tax Fund	955,120	220,507	-	1,175,627
MSI - Operating	-	96,167	(96,167)	-
Municipal Stimulus Program	-	25,000	(25,000)	-
Regional Water	84,659	-	(76,382)	8,277
Artis	60,822	-	(60,822)	-
AMWWP	200,000	-	(102,921)	97,079
Other	105,589	15,846	(8,367)	113,068
	<u>\$ 2,664,629</u>	<u>739,057</u>	<u>(644,037)</u>	<u>\$ 2,759,649</u>

Grants

Under various grant agreements with the Government of Canada and the Province of Alberta, the Town is required to account for grants provided and to complete the projects or program in accordance with standards detailed in the various agreements. If these requirements are not adhered to, grants provided will become repayable to the source government. Unexpended funds are repayable to the source government upon final accounting. Funds are deferred until related expenditures under the specific grant agreement have been incurred.

Municipal Sustainability Initiative Capital (MSI)

The Government of Alberta provides conditional grant funding through this program to assist with various capital expenditures in the Municipality. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Gas Tax Fund (GTF)

The GTF is a permanent source of annual funding to provinces and territories who, in turn, flow this funding to their municipalities to support local infrastructure priorities. Municipalities select how best to direct the funds and have the flexibility to make strategic investments across 18 different project categories.

Alberta Municipal Waste Water Partnership (AMWWP)

Per AMWWP provides cost-shared funding to the Town of Three Hills to help build facilities for water supply and treatment, and wastewater treatment and disposal. Grant amounts are determined based on official population.

Other

Other deferred amounts are made up of 17 other liabilities, ranging from Anderson Park, fire department and airport donations, as well as community partnerships.

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**8. Long-Term Debt**

	2023	2022
Tax supported debentures	6,216,457	6,730,598
Tax supported loans	494,464	624,541
	6,710,921	7,355,139

Principal and interest repayments are as follows:

	Principal Repayments	Interest Payments	Total
2024	\$ 666,218	\$ 195,760	\$ 861,978
2025	689,091	172,887	861,978
2026	796,537	147,903	944,440
2027	475,379	124,125	599,504
2028	371,375	110,132	481,507
Thereafter	3,712,321	1,036,951	4,749,272
	\$ 6,710,921	\$ 1,787,758	\$ 8,498,679

Debenture debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.68% to 4.92% per annum and mature in periods 2027 through 2039.

Debenture debt is issued on the credit and security of the Town at Large.

Bank loan is repayable in monthly blended payments that bear an interest rate of 2.56% and matures in 2026.

Interest on long term debt amounted to \$217,824 (2022 - \$213,868)

**9. Landfill Closure and Post-Closure Liabilities**

Effective January 1, 2023, the Town was required to adopt PS 3280 Asset Retirement Obligation which requires the recognition of legal obligations associated with the retirement of tangible capital assets by public sector entities. Management has not completed its assessment of the tangible capital assets for potential asset retirement obligations, nor have they adjusted for the current year change of the landfill closure and post closure liability. As a result, management has not been able to quantify the impact on expenses and annual surplus for the years ended December 31, 2023 and 2022.

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**10. Tangible Capital Assets**

	Construction in Progress	Land	Land Improvements	Building	Engineered Structures	Machinery & Equipment	Vehicles	Total
Cost, beginning of year	\$ 74,969	\$ 2,597,995	\$ 3,939,726	\$ 10,969,260	\$ 66,660,957	\$ 4,976,739	\$ 1,414,642	\$ 90,634,288
Additions	1,136,234	-	-	38,484	432,283	263,048	-	1,870,049
Change in work in progress	-	-	-	-	-	-	-	-
Write-downs & disposals	-	-	-	-	(27,431)	-	-	(27,431)
Cost, end of year	\$ 1,211,203	\$ 2,597,995	\$ 3,939,726	\$ 11,007,744	\$ 67,065,809	\$ 5,239,787	\$ 1,414,642	\$ 92,476,906
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 2,127,077	\$ 5,044,097	\$ 24,277,888	\$ 2,575,410	\$ 808,765	\$ 34,833,237
Amortization	-	-	171,321	299,507	1,447,133	311,936	78,700	2,308,597
Write-downs & disposals	-	-	-	-	(27,429)	-	-	(27,429)
Accumulated amortization, end of year	\$ -	\$ -	\$ 2,298,398	\$ 5,343,604	\$ 25,697,592	\$ 2,887,346	\$ 887,465	\$ 37,114,405
Net carrying amount, end of year	\$ 1,211,203	\$ 2,597,995	\$ 1,641,328	\$ 5,664,140	\$ 41,368,217	\$ 2,352,441	\$ 527,177	\$ 55,362,501

**Town of Three Hills**  
Notes to Consolidated Financial Statements

December 31, 2023

10. Tangible Capital Assets (continued)

	2022							
	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total
Cost, beginning of year	\$ 38,294	\$ 2,597,995	\$ 3,849,081	\$ 10,969,260	\$ 65,728,556	\$ 5,512,961	\$ 1,403,105	\$ 90,099,252
Additions		-	90,645	-	1,377,954	295,106	11,537	1,775,242
Change in work in progress	36,675	-	-	-	-	-	-	36,675
Disposal of tangible capital assets	-	-	-	-	(445,553)	(831,328)	-	(1,276,881)
Cost, end of year	\$ 74,969	\$ 2,597,995	\$ 3,939,726	\$ 10,969,260	\$ 66,660,957	\$ 4,976,739	\$ 1,414,642	\$ 90,634,288
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 1,956,816	\$ 4,744,326	\$ 23,169,882	\$ 2,950,423	\$ 723,915	\$ 33,545,362
Amortization		-	170,261	299,771	1,456,866	319,367	84,850	2,331,115
Write-downs & disposals		-	-	-	(348,860)	(694,380)	-	(1,043,240)
Accumulated amortization, end of year	\$ -	\$ -	\$ 2,127,077	\$ 5,044,097	\$ 24,277,888	\$ 2,575,410	\$ 808,765	\$ 34,833,237
Net carrying amount, end of year	\$ 74,969	\$ 2,597,995	\$ 1,812,649	\$ 5,925,163	\$ 42,383,069	\$ 2,401,329	\$ 605,877	\$ 55,801,051

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**11. Equity in Tangible Capital Assets**

	<u>2023</u>	<u>2022</u>
Tangible capital assets	\$ 92,476,906	\$ 90,634,288
Accumulated amortization	(37,114,405)	(34,833,237)
Long-term debt	<u>(6,710,921)</u>	<u>(7,355,139)</u>
	<u>\$ 48,651,580</u>	<u>\$ 48,445,912</u>

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**12. Accumulated Surplus**

	2023	2022 Restated (see Note 20)
Equity in tangible capital assets (Note 11)	\$ 48,651,580	\$ 48,445,912
Unrestricted surplus	2,719,893	2,467,034
	<b>51,371,473</b>	<b>50,912,946</b>
Operating Reserves:		
General fund	1,367,300	806,528
Mill rate stabilization	614,994	304,994
Snow removal	-	63,365
Water	324,576	299,576
Landfill environmental Cemetery	409,467	359,467
	28,899	26,399
	<b>2,745,236</b>	<b>1,860,329</b>
Capital Reserves:		
General fund	1,461,154	1,236,153
Disaster services	-	126,365
Emergency service	528,730	503,730
Transportation	583,061	686,746
Water	1,846,075	1,667,679
Water offsite levy	31,437	31,437
Water distribution offsite levy	14,787	14,787
Wastewater	841,599	691,599
Solid waste	466,470	388,664
Cemetery expansion	30,000	20,000
Land	664,381	664,383
Recreation	349,754	352,752
Campground	93,141	88,141
Municipal reserve	122,974	98,516
Administration	45,018	55,000
Aquatic Centre	400,410	388,894
Arena	239,819	203,256
Community Centre	130,000	120,000
Library	32,500	27,500
	<b>\$ 7,881,310</b>	<b>\$ 7,365,602</b>
Total Reserves	<b>10,626,546</b>	<b>9,225,931</b>
	<b>\$ 61,998,019</b>	<b>\$ 60,138,877</b>

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**13. Change in Accumulated Surplus**

	Unrestricted surplus	Reserves	Equity in tangible capital assets	2023	2022 Restated (see note 20)
Balance, beginning of year	\$ 2,467,034	\$ 9,225,931	\$ 48,445,912	\$ 60,138,877	\$ 59,291,926
Excess of revenue over expenses	1,859,142	-	-	1,859,142	846,951
Net operating transfers to restricted surplus	(603,000)	603,000	-	-	-
Debtenture principal payments	(644,218)	-	644,218	-	-
Capital transfers from restricted surplus	(797,615)	797,615	-	-	-
Acquisition of capital	(1,870,049)	-	1,870,049	-	-
Proceeds from issuance of long-term debt					
Disposals and write-down of assets	2	-	(2)	-	-
Amortization	2,308,597	-	(2,308,597)	-	-
Change in accumulated surplus	\$ 252,859	\$ 1,400,615	\$ 205,668	\$ 1,859,142	\$ 846,951
Balance, end of year	\$ 2,719,893	\$ 10,626,546	\$ 48,651,580	\$ 61,998,019	\$ 60,138,877

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**14. Debt Limits**

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/100 for the Town be disclosed as follows:

	2023	2022
Total debt limit	\$16,772,769	\$ 12,715,338
Total debt	6,710,921	7,355,139
Total debt limit available	<u>10,061,848</u>	<u>5,360,199</u>
Debt servicing limit	2,795,462	2,119,223
Debt servicing	861,978	625,986
Total debt servicing limit available	<u>1,933,484</u>	<u>1,493,237</u>

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities which could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

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**15. Contingencies**

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

In a prior year, The Town of Three Hills was served with a claim relating to a potential breach of contract. The case is currently going through depositions and discovery. The Town of Three Hills believes the claim is unlikely to proceed. The amount of the claims is \$283,965.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**16. Commitments**

On January 1, 2014 the Town entered into a lease agreement with the Three Hills Curling Club to lease certain Town owned facilities. The term of the lease is for 20 years with an annual rental payment of \$1.

The Town is committed under an agreement with the Marigold Library System to funding certain library initiatives annually based on a per capita formula. The Town provided funding of \$20,466 (2022 - \$20,211). It is the understanding of the Town that it can withdraw from the agreement at anytime by giving a one year notice period.

The Town has entered into an intermunicipal fire services agreement with Kneehill County commencing March 23, 2020 to December 31, 2024. Under the terms of the agreement the Town is responsible for their proportionate share of fire equipment and annual service costs based on predetermined cost sharing schedule.

**17. Taxation - Net**

	Budget 2023	2023	2022
Taxation			
Real property taxes	\$ 4,445,570	\$ 4,349,167	\$ 4,158,780
Linear	66,520	70,827	63,288
Machinery and equipment	18,260	18,333	17,371
Grants in place for property taxes	12,720	18,146	12,594
	<u>4,543,070</u>	<u>4,456,473</u>	<u>4,252,033</u>
Requisitions			
Alberta School Foundation Fund	915,270	915,338	910,930
Golden Hills Lodge	12,800	13,900	12,310
	<u>928,070</u>	<u>929,238</u>	<u>923,240</u>
Available for general municipal purposes	<u>\$ 3,615,000</u>	<u>\$ 3,527,235</u>	<u>\$ 3,328,793</u>

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**18. Government Transfers**

	Budget 2023	2023	2022
Operating			
Provincial government	\$ 233,300	\$ 421,580	\$ 288,271
Federal government	8,400	6,300	10,800
Local government	25,000	25,000	145,000
	<u>\$ 266,700</u>	<u>\$ 452,880</u>	<u>\$ 444,071</u>
Capital			
Provincial government	\$ 2,198,220	\$ 377,300	\$ 522,676
Federal government	459,700	-	434,647
	<u>\$ 2,657,920</u>	<u>\$ 377,300</u>	<u>\$ 957,323</u>
Total government transfers	<u>\$ 2,924,620</u>	<u>\$ 830,180</u>	<u>\$ 1,401,394</u>

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**19. Expenses by Object**

	Budget 2023	2023	2022
Salaries and wages and benefits	\$ 3,254,850	\$ 3,084,303	\$ 3,027,288
Contracted and general services	1,454,960	1,663,385	1,703,333
Materials, goods, supplies and utilities	2,153,680	2,152,618	2,071,358
Transfer to local boards and agencies	174,080	171,652	167,767
Transfer to individuals and organizations	44,250	51,235	27,242
Bank charges and short term interest	15,360	238,536	234,351
Interest on capital long-term debt	861,990	9,540	7,856
Amortization	-	2,308,597	2,331,116
Loss/(gain) on disposal of capital assets	-	-	129,143
Other expenditures	1,273,030	20,138	2,057,656
	<u>\$ 9,232,200</u>	<u>\$ 9,700,004</u>	<u>\$ 11,757,110</u>

**20. Prior Period Adjustment**

In the 2022 year the Town had a deferred revenue balance from Kneehill County for the Regional Resource Urban Sustainability Grant that had been unchanged. Under this program Kneehill County provided funds to the towns and villages for both operating and capital components. The County funded this program from a pool of funds that they then dispersed as grants that were approved. The program ended in 2018 and the policy governing it was rescinded. From the County's perspective, any funding that the Town still has from this program that remains unused belongs to the Town and it is the Town's responsibility to determine its use, due to this the remaining balance should have been recognized as revenue in a previous period, and included as unrestricted surplus in opening accumulated surplus. As such, the following adjustments have been made:

<u>Restated</u>	<u>2022 as Reported</u>	<u>Adjustment</u>	<u>2022</u>
Deferred Revenue	\$ 2,983,601	\$ (318,972)	\$ 2,664,629
Opening accumulated surplus	58,972,954	318,972	59,291,926

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**21. Municipal Employees Pension Plans**

Local Authorities Pension Plan

Certain employees of the Town are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 291,000 people and 437 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The Town contributes to the Plan at a rate of 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.23% for the excess. Employees contribute to the Plan at a rate of 7.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.23% for the excess

Contributions for the year were:

	2023	2022
Employer contributions	\$ 155,288	\$ 154,645
Employee contributions	135,588	137,623
	<u>\$ 290,876</u>	<u>\$ 292,268</u>

As this is a multi-employer pension plan, these contributions are the Town's pension benefit expense. No pension liability for this type of plan is included in the Town's financial statements. The most recent valuation as at December 31, 2022 indicates a surplus of \$12.671 billion (2021 - \$11.922 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**22. Salaries, Wages and Benefits Disclosure**

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

	Salary	Benefits & Allowances	Total 2023	Total 2022
Mayor Wildeman	22,145	10,005	32,150	33,606
Councilor Hazelton	17,294	1,928	19,222	17,037
Councilor Kirk	17,294	1,928	19,222	17,037
Councilor Lammler	14,855	794	15,649	14,347
Councilor Sept	13,402	112	13,514	20,295
Chief Administrative Officer	154,327	32,047	186,374	175,031

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

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment, vision coverage, professional memberships, tuition, travel, cell phone, car allowances, and long and short term disability plans.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**23. Budget**

The budget adopted by Council on December 12, 2022 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. In addition, the budget expensed all tangible capital asset expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council in 2023, with adjustments as follows:

Operating budget surplus	\$ -
Amortization	(2,308,597)
Net operating transfers to reserves	<u>2,308,597</u>
Budgeted operating surplus	<u>\$ -</u>
Capital budget surplus	\$ 2,707,920
Capital expenditures	(5,603,000)
Budgeted transfers to reserves	<u>2,895,080</u>
Budgeted capital surplus	<u>\$ -</u>
Financial budget approved by Council	<u>\$ -</u>

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**December 31, 2023**

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#### **24. Segmented Information**

The Town is a diversified municipal government institution that provides a wide range of services to its citizens. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

##### **Protective Services**

Protective services is comprised of police, bylaw enforcement and fire protection. This service area is responsible for the overall safety of the public through various prevention and enforcement activities.

##### **Transportation Services**

Transportation services is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of park and open space, and street lighting.

##### **Water and Wastewater Services**

Water and wastewater provides drinking water to the Town's citizens and collects and treats wastewater. The Town processes and cleans sewage and ensures the water system meets all Provincial standards.

##### **Waste Management Services**

Waste management provides collection disposal and recycling programs.

##### **Planning and Development**

The planning department provides a number of services including town planning and enforcement of building and construction codes and review of all property development plans through its application process.

##### **Recreation and Parks**

This service area maintains recreation infrastructure such as parks, arenas, aquatic centres and community centres as well as provides recreational programs and cultural programs at those locations.

##### **Public Health and Welfare**

This service area provides and administers community support programs.

##### **General Government**

This service area includes legislative and administrative support to all other service areas and also relates to the revenues and expenses that relate to the operations of the Town itself and cannot be directly attributed to a specific segment.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**24. Segmented Information continued**

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**24. Segmented Information (continued)**

For the year ended December 31	Protective Services	Waste Management	Transportatio n Services	Water and Wastewater	Planning and Development	Parks and Recreation	Public Health and Welfare	General Government	2023 Total
<b>Revenue</b>									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,527,235	\$ 3,527,235
Government transfers for operating	-	-	27,100	78,481	-	126,299	-	221,000	452,880
Government transfers for capital	-	-	274,378	102,921	-	-	-	-	377,299
Sales and user fees	91,020	806,499	293,195	3,063,406	35,128	368,849	19,791	26,462	4,704,350
Franchises and concessions	-	-	-	-	-	-	-	449,964	449,964
Investment income	-	-	-	-	-	-	-	559,906	559,906
Fines and costs	2,590	-	-	-	-	-	-	55,482	58,072
Rental revenue	-	-	-	-	-	157,372	-	15,534	172,906
Insurance proceeds	-	-	-	874,183	-	-	-	-	874,183
Other	7,757	-	-	-	-	28,997	-	345,597	382,351
	<u>101,367</u>	<u>806,499</u>	<u>594,673</u>	<u>4,118,991</u>	<u>35,128</u>	<u>681,517</u>	<u>19,791</u>	<u>5,201,180</u>	<u>11,559,146</u>
<b>Expenses</b>									
Salaries and wages	113,098	124,462	457,255	618,977	233,322	823,142	-	714,047	3,084,303
Contracted and general services	40,202	69,017	97,671	862,847	23,303	286,660	745	282,940	1,663,385
Materials, goods and utilities	56,085	57,751	569,753	646,506	22,338	664,399	1,883	133,900	2,152,615
Transfer to local agencies	1,000	-	-	-	-	128,466	42,186	-	171,652
Transfers to individuals and organizations	-	-	-	-	-	-	-	51,235	51,235
Bank charges and short-term interests	-	1,046	-	198,195	-	26,582	-	12,713	238,536
Interest on long-term debt	-	-	2,179	-	-	7,361	-	-	9,540
Amortization	91,220	83,298	585,555	1,059,744	590	424,497	4,947	58,746	2,308,597
Loss on sale of capital assets	-	-	3	-	-	-	-	-	3
Other	188	-	-	15,787	-	782	-	3,381	20,138
	<u>301,793</u>	<u>335,574</u>	<u>1,712,416</u>	<u>3,402,056</u>	<u>279,553</u>	<u>2,361,889</u>	<u>49,761</u>	<u>1,256,962</u>	<u>9,700,004</u>
<b>Net surplus (deficit)</b>	<b>\$ (200,426)</b>	<b>\$ 470,925</b>	<b>\$ (1,117,743)</b>	<b>\$ 716,935</b>	<b>\$ (244,425)</b>	<b>\$ (1,680,372)</b>	<b>\$ (29,970)</b>	<b>\$ 3,944,218</b>	<b>\$ 1,859,142</b>

**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

**24. Segmented Information (continued)**

For the year ended December 31	Protective Services	Waste Management	Transportatio n Services	Water and Wastewater	Planning and Development	Parks and Recreation	Public Health and Welfare	General Government	2022 Total
Revenue	\$	-	-	-	-	-	-	-	\$
Taxation	-	-	-	-	-	-	-	-	-
Government transfers for operating	1,850	-	78,474	67,501	-	51,415	-	244,831	444,071
Government transfers for capital	-	-	625,656	331,667	-	-	-	-	957,323
Sales and user fees	58,970	779,318	181,410	2,742,807	52,494	363,020	23,430	86,794	4,288,243
Franchises and concessions	-	-	-	-	-	-	-	407,744	407,744
Investment income	-	-	-	-	-	-	-	246,537	246,537
Fines and costs	5,694	-	-	-	-	-	-	44,441	50,135
Rentals	180	-	-	-	-	130,155	-	16,473	146,808
Other	-	-	-	2,370,716	-	-	-	-	2,370,716
Gain (loss) on sale of assets	11,295	-	-	-	-	22,414	-	299,983	333,691
	<u>77,989</u>	<u>779,318</u>	<u>885,540</u>	<u>5,512,691</u>	<u>52,494</u>	<u>567,004</u>	<u>23,430</u>	<u>4,675,596</u>	<u>12,574,061</u>
<b>Expenses</b>									
Salaries and wages	114,011	120,772	545,685	586,249	157,404	817,070	-	686,097	3,027,288
Contracted and general services	46,457	67,269	183,349	843,155	42,869	288,056	868	231,310	1,703,333
Materials, goods and utilities	68,303	67,441	602,946	520,315	18,812	658,873	1,573	133,095	2,071,358
Transfer to local agencies	-	-	-	-	1,011	125,986	40,770	-	167,767
Transfers to individuals and organizations	-	-	-	-	-	-	-	27,242	27,242
Bank charges and short-term interest	-	1,024	-	192,040	-	29,873	-	11,414	234,351
Interest on long-term debt	-	-	1,558	-	-	6,298	-	-	7,856
Amortization	97,605	82,988	571,340	1,082,845	1,517	430,972	4,946	58,903	2,331,116
Loss on sale of capital assets	-	-	-	-	-	-	-	129,143	129,143
Other	-	(124,367)	-	2,147,716	-	150	-	4,157	2,027,656
	<u>326,376</u>	<u>215,127</u>	<u>1,904,878</u>	<u>5,372,320</u>	<u>221,613</u>	<u>2,357,278</u>	<u>48,157</u>	<u>1,281,361</u>	<u>11,727,110</u>
<b>Net surplus (deficit)</b>	<b>\$ (248,387)</b>	<b>\$ 564,191</b>	<b>\$ (1,019,338)</b>	<b>\$ 140,371</b>	<b>\$ (169,119)</b>	<b>\$ (1,790,274)</b>	<b>\$ (24,727)</b>	<b>\$ 3,394,235</b>	<b>\$ 846,951</b>

**December 31, 2023**

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## **25. Financial Instruments**

The Town is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments, these risks have not changed since the prior year. This note describes the Town's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

### **Credit risk:**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Town is exposed to credit risk through its cash and accounts receivable.

The Town manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The Town measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 3. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

### **Liquidity risk**

Liquidity risk is the risk that the Town will encounter difficulty in meeting obligations associated with financial liabilities. The Town is exposed to liquidity risk through its accounts payable and long-term debt.

The Town manages this risk by having planning, budgeting and forecasting processes to help determine the funds required to support the normal operating requirements. The Town measures its exposure to liquidity risk based on extensive budgeting.

### **Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Town is exposed to interest rate risk through its long-term debt. The Town manages its interest rate risk by holding the majority of their debt through Alberta Capital Finance Authority at a fixed rate. Therefore, fluctuations in the market interest rates would not impact future cash flows and operations relating to long-term debt. See note 8 for interest rates.

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## **26. Comparative Figures**

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

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**Town of Three Hills**  
**Notes to Consolidated Financial Statements**

**December 31, 2023**

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**27. Approval of Financial Statements**

Council and Management approved these financial statements.

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