

**Town of Three Hills
Consolidated Financial Statements
For the year ended December 31, 2024**

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, 2024 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.



Chief Administrative Officer
September 28, 2026

Director of Finance
September 28, 2026

Town of Three Hills
Consolidated Financial Statements
For the year ended December 31, 2024

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Independent Auditor's Report

To the Mayor and Council of the Town of Three Hills

Opinion

We have audited the consolidated financial statements of Town of Three Hills and its controlled or owned organizations (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and its consolidated financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 out 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.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 1 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.

Independent Auditor's Report, continued

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.

BDO Canada LLP

Chartered Professional Accountants
Red Deer, Alberta
September 29, 2026

Town of Three Hills
Consolidated Statement of Financial Position

December 31, 2024

2024

2023
Restated
(see Note 1)

Financial assets

Cash and temporary investments (Note 2)	\$ 12,914,653	\$ 12,662,572
Receivables		
Taxes and grants in place of taxes (Note 3)	525,564	419,649
Trade and other receivables (Note 4)	3,483,582	2,939,281
Investments	50	50
Loans receivable (Note 5)	232,264	243,432
	<u>17,156,113</u>	<u>16,264,984</u>

Liabilities

Accounts payable and accrued liabilities	1,243,694	822,948
Employee benefit obligation (Note 6)	222,397	165,586
Deposit liabilities	223,271	36,499
Deferred revenue (Note 7)	2,505,393	2,759,649
Long-term debt (Note 8)	6,044,671	6,710,921
Asset retirement obligation (Note 9)	2,966,588	2,856,608
	<u>13,206,014</u>	<u>13,352,211</u>

Net financial assets

3,950,099 2,912,773

Non-financial assets

Tangible capital assets (Note 10)	61,821,938	56,409,110
Land inventory held for resale	615,427	689,990
Inventory held for resale	372,526	361,312
Inventory for consumption	129,384	135,041
Prepaid expenses	3,782	6,592
	<u>62,943,057</u>	<u>57,602,045</u>

Accumulated surplus (Note 12)

\$ 66,893,156 \$ 60,514,818

Debenture debt limits (Note 14)

Contingencies (Note 15)

Commitments (Note 16)



M. Supt

Councillor

Mayor

Councillor

Town of Three Hills
Consolidated Statement of Operations

For the year ended December 31	Budget 2024	2024	2023 Restated (see Note 1)
Revenue			
Net municipal taxes (Note 17)	\$ 3,676,940	\$ 3,695,311	\$ 3,527,235
Government transfers for operating (Note 18)	374,400	431,711	452,880
Sales and user fees	4,654,400	4,319,909	4,710,070
Rental revenue	159,110	189,006	172,906
Franchises and concessions	527,160	510,316	449,964
Investment income	431,600	474,028	559,906
Penalties and costs on taxes	57,800	74,526	55,482
Fines and costs	4,320	3,779	2,590
Insurance proceeds	42,250	3,494,014	874,183
Other	353,880	375,139	376,630
	<u>10,281,860</u>	<u>13,567,739</u>	<u>11,181,846</u>
Expenditures (Note 19)			
Legislative	268,920	260,937	202,629
Administration	1,075,620	1,011,865	1,054,376
Protective services	446,140	436,693	495,416
Transportation services	1,230,170	1,868,818	1,712,900
Water and wastewater	2,108,410	3,057,969	3,399,560
Waste management	430,300	543,119	465,661
Planning and development	100,390	96,081	85,930
Recreation and parks	2,053,850	2,497,472	2,360,512
Public health and welfare	51,570	54,813	49,761
	<u>7,765,370</u>	<u>9,827,767</u>	<u>9,826,745</u>
Excess of revenue over expenditures - before other	2,516,490	3,739,972	1,355,101
Other			
Government transfers for capital (Note 18)	640,000	2,156,158	377,300
Contributed assets	-	609,061	-
Loss on disposal of assets	-	(126,853)	(3)
	<u>3,156,490</u>	<u>6,378,338</u>	<u>1,732,398</u>
Excess of revenue over expenditures	3,156,490	6,378,338	1,732,398
Accumulated surplus, beginning of year	61,455,318	60,514,818	58,782,420
Accumulated surplus, end of year	<u>\$ 64,611,808</u>	<u>\$ 66,893,156</u>	<u>\$ 60,514,818</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 2024	2024	2023 Restated (see Note 1)
Excess of revenue over expenditures	\$ 3,156,490	\$ 6,378,338	\$ 1,732,398
Acquisition of tangible capital assets	(940,500)	(7,849,040)	(1,870,048)
Amortization of tangible capital assets	-	2,297,360	2,329,444
Proceeds on sale of tangible capital assets	-	11,999	-
Loss on sale of tangible capital assets	-	126,853	3
	2,215,990	965,510	2,191,797
Change in prepaid expenses	-	2,810	28,074
Change in inventory for consumption	-	5,657	3,908
Change in land inventory held for resale	-	74,563	-
Change in inventory held for resale	-	(11,214)	3,912
	-	71,816	35,894
Net change in net financial assets	2,215,990	1,037,326	2,227,691
Net financial assets, beginning of year	2,912,773	2,912,773	685,082
Net financial assets, end of year	\$ 5,128,763	\$ 3,950,099	\$ 2,912,773

Town of Three Hills
Consolidated Statement of Cash Flows

For the year ended December 31	2024	2023 Restated (see Note 1)
Operating transactions		
Excess of revenue over expenditures	\$ 6,378,338	\$ 1,732,398
Items not involving cash		
Accretion	109,979	105,904
Amortization	2,297,360	2,329,444
Net loss on disposal of tangible capital assets	126,853	3
Changes in non-cash operating balances		
Taxes receivable	(105,915)	(173,038)
Accounts receivable	(544,301)	1,037,894
Land inventory held for resale	74,563	-
Inventory held for resale	(11,214)	3,912
Loan receivable	11,168	80,459
Prepaid expenses	2,810	28,074
Accounts payable and accrued liabilities	420,746	265,114
Inventory for consumption	5,657	3,908
Employee benefit obligation	56,812	(48,223)
Deposit liabilities	186,772	(26,552)
Deferred revenue	(254,256)	95,020
	<u>8,755,372</u>	<u>5,434,317</u>
Capital transactions		
Acquisition of tangible capital assets	(7,849,040)	(1,870,048)
Proceeds on sale of tangible capital assets	11,999	-
	<u>(7,837,041)</u>	<u>(1,870,048)</u>
Financing transactions		
Repayment of long-term debt	(666,250)	(644,218)
Net change in cash and cash equivalents	252,081	2,920,051
Cash and cash equivalents, beginning of year	12,662,572	9,742,521
Cash and cash equivalents, end of year	\$ 12,914,653	\$ 12,662,572

Town of Three Hills
Summary of Significant Accounting Policies

December 31, 2024

Significant Accounting Policies

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

The consolidated financial statements of the Town of Three Hills (hereby referred to as 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 Canada.

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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

Basis of Accounting	The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes 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 or goods have yet to be provided. Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.
Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.
Inventory for Consumption	Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost.
Leased Assets	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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

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.

**Land Inventory
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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

Deferred Revenue	Deferred revenues represent government transfers, donations, and other amounts which have been collected, but for which the related services have yet to be performed or agreement stipulations have not been met. These amounts will be recognized as revenues when revenue recognition criteria have been met. Interest earned on deferred revenues, reserves, and offsite levies are calculated using an average investment earnings monthly.
Government Transfers	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 are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.
Tax Revenue	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.
Revenue Recognition	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. Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payer. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered. Where funds are received in advance of services or with specific restrictions, they are recorded as deferred revenue and recognized in the period when the performance obligation is satisfied.
Liability for Contaminated Sites	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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

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. Actual results could differ from management's best estimates as additional information becomes available in the future. Management estimates are used in determining the useful life of tangible capital assets and the value of asset retirement obligations.

Long-term Debt

Long-term debt is initially recognized net of any premiums, discounts, fees and transaction costs, with interest expenses recognized using the effective interest method. Long-term debt is subsequently measured at amortized cost.

**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. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

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, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

Public Private

Partnerships

The Town accounts for public private partnerships in accordance with PS 3160. Infrastructure procured through a P3 arrangement is recognized as a tangible capital asset when the Town controls the asset. A liability is recognized for any amounts owing to the private sector partner under the agreement. As at year-end, the Town had not entered into any public private partnership arrangements.

Non-Financial Assets

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

**Contributions of
Tangible Capital
Assets**

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

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

New Accounting Policies Adopted During the Year

PS 3400 Revenue, the Town recognizes revenue in accordance with Public Sector Accounting Standard PS 3400 - Revenue, which differentiates between exchange transactions (where both parties receive goods/services of approximately equal value) and non-exchange transactions (where one party receives goods/services without directly giving equal value in return).

PS 3160 Public Private Partnerships, the Town has adopted Public Sector Accounting Standard (PS) 3160 - Public Private Partnerships as part of its accounting policies. At the reporting date, the Town does not have any Public-Private Partnership arrangements, and therefore, this standard does not impact the financial statements for the current period. If the Town enters into a P3 arrangement in the future, it will be accounted for in accordance with PS 3160.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

1. PS 3280 Asset Retirement Obligation (ARO)

Effective January 1, 2024, the Town adopted the new Public Sector Accounting Handbook Standard, PS 3280 Asset Retirement Obligations. The standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities. The standard was adopted on the modified retroactive basis at the date of adoption. Under the modified retroactive method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. The impact of adoption of this standard was as follows:

	<u>2023 as Reported</u>	<u>Adjustment</u>	<u>2023 Restated</u>
Statement of Operations:			
Expenses	\$ 9,700,001	126,744	\$ 9,826,745
Excess of revenue over expenditures	\$ 1,859,142	(126,744)	\$ 1,732,398
Accumulated surplus, beginning of the year	\$ 60,138,877	(1,356,457)	\$ 58,782,420
Accumulated surplus, end of the year	\$ 61,998,019	(1,483,201)	\$ 60,514,818
Statement of Financial Position:			
Liability	\$ 10,822,401	2,529,810	\$ 13,352,211
Net Financial Assets	\$ 5,442,583	(2,529,810)	\$ 2,912,773
Non-Financial Assets	\$ 56,555,436	1,046,609	\$ 57,602,045
Statement of Change in Net Financial Assets			
Excess of revenue over expenditures	\$ 1,859,142	(126,744)	\$ 1,732,398
Amortization of tangible capital assets	\$ 2,308,604	\$ 20,840	\$ 2,329,444
Net Financial Assets beginning of the year	\$ 3,108,988	(2,423,906)	\$ 685,082
Net Financial Assets end of the year	\$ 5,442,583	(2,529,810)	\$ 2,912,773

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

2. Cash and Temporary Investments

	2024	2023
Cash	\$ 1,955,877	\$ 2,969,440
Notice on Amount 90 Days	6,018,882	5,708,276
MUSH Savings	4,939,894	3,984,856
	\$ 12,914,653	\$ 12,662,572

The Town has available to an operating line of credit with ATB Financial, having an authorized limit of \$1,060,000 (2023 - \$1,060,000), which bears interest at prime plus 1.00%. As at December 31, 2024 - \$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- 5.450%

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:

	2024	2023
MSI - Capital	\$ -	\$ 681,484
CCBF (formerly Federal Gas Tax Fund)	286,214	405,980
AMWWP	682,648	97,079
Other	258,099	81,895
	\$ 1,226,961	\$ 1,266,438

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

3. Taxes and Grants in place of taxes

	2024	2023
Current taxes and grants in place	\$ 260,781	\$ 209,482
Non-current taxes and grants in place	264,783	210,167
	<u>\$ 525,564</u>	<u>\$ 419,649</u>

4. Trade and other receivables

	2024	2023
Trade receivables	\$ 1,728,054	\$ 1,388,033
GST receivable	76,757	79,919
Receivables from other governments	1,700,653	1,493,211
Less: Allowance for doubtful accounts	(21,882)	(21,882)
	<u>\$ 3,483,582</u>	<u>\$ 2,939,281</u>

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

	2024	2023
MSI - Capital	\$ -	\$ 684,114
CCBF (formerly Federal Gas Tax Fund)	1,004,380	769,647
LGFF	237,110	-
Other	36,942	39,450
	<u>\$ 1,278,432</u>	<u>\$ 1,493,211</u>

5. Loans Receivable

	2024	2023
Three Hills Curling Club (THCC) loan receivable	<u>\$ 232,264</u>	<u>\$ 243,432</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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

6. Employee Benefit Obligation

	2024	2023
Accrued vacation pay	\$ 43,173	\$ 52,178
Accrued sick leave benefit	176,006	110,458
Accrued flex time benefit	3,218	2,950
	<u>\$ 222,397</u>	<u>\$ 165,586</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. Significant inputs used in the estimate of sick leave accrual include employee hourly rate of pay at year end and accrued sick leave hours.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

7. Deferred Revenue

	Opening balance Restated (see Note 20)	Contributions received or receivable	Revenue recognized	Ending balance
MSI - Capital	\$ 1,365,598	63,500	(1,429,098)	\$ -
CCBF (Federal Gas Tax Fund)	1,175,627	257,881	(142,915)	1,290,593
Regional Water	8,278	-	(8,278)	-
AMWWP	97,079	750,000	(164,431)	682,648
LGFF Grant	-	877,823	(640,713)	237,110
Other	113,067	432,555	(250,580)	295,042
	<u>\$ 2,759,649</u>	<u>2,381,759</u>	<u>(2,636,015)</u>	<u>\$ 2,505,393</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.

Canada Community-Building Fund

The Canada Community-Building Fund (CCBF), formerly known as the Gas Tax Fund (GTF), is a transfer program of the Government of Canada administered through the Province of Alberta. The program provides funding to municipalities for eligible infrastructure projects that support local priorities. Funding is subject to the terms and conditions of the applicable funding agreement and is restricted to approved expenditures. Grant revenue is recognized when the related eligible costs have been incurred. Unspent program funds are deferred and recognized in future periods as the corresponding expenditures are made. Amounts not expended in accordance with program requirements may be repayable to the funding authority.

Alberta Municipal Waste Water Partnership (AMWWP)

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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

Local Government Fiscal Framework (LGFF)

LGFF funding is provided to support municipal infrastructure and other eligible projects in accordance with program guidelines established by the Province of Alberta.

Other

Other deferred amounts are made up of other liabilities, which include operating grants, permit revenue, donations, as well as community partnerships.

8. Long-Term Debt

	2024	2023
Tax supported debentures	5,683,621	6,216,457
Tax supported loans	361,050	494,464
	6,044,671	6,710,921

Principal and interest repayments are as follows:

	Principal Repayments	Interest Payments	Total
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
2029	351,602	98,264	449,866
Thereafter	3,360,687	540,031	3,900,718
	\$ 6,044,671	\$ 1,193,342	\$ 7,238,013

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 2026 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 \$205,940 (2023 - \$217,825)

December 31, 2024

9. Asset Retirement Obligation

The Town's asset retirement obligation consists of the following obligations.

Hazardous building materials

Certain Town buildings are estimated to contain hazardous building materials that require prescribed handling and disposal when disturbed during renovation, maintenance or demolition. The Town has recognized asset retirement obligations for the estimated costs of abating, removing, transporting and disposing of these materials in accordance with applicable requirements. The related buildings have estimated useful lives ranging from 22 to 82 years, of which 13 to 20 years remain. The estimated total undiscounted future expenditures associated with these obligations are \$380,834.

Refrigeration equipment

The Town operates mechanical refrigeration equipment at the Centennial Place Arena and Curling Club. The Town has recognized an asset retirement obligation for the estimated costs of purging and decommissioning the refrigeration system and removing and disposing of the regulated equipment and materials at the end of the system's useful life. The refrigeration equipment has an estimated useful life of 50 years, of which 5 years remain. The estimated total undiscounted future expenditures associated with this obligation are \$8,562.

Wastewater and water infrastructure

The Town has recognized asset retirement obligations for its sewage lagoon, raw water intake, water treatment plant and water treatment plant holding ponds. The expected asset retirement activities include decommissioning and removing applicable structures, pipelines, instrumentation and process equipment, and reclaiming the affected sites in accordance with applicable environmental approvals and codes of practice. The related infrastructure has estimated useful lives ranging from 50 to 87 years, of which 45 to 62 years remain. The estimated total undiscounted future expenditures associated with these obligations are \$2,296,448.

Landfill

The Town has recognized an an asset retirement obligation for the future closure of the Three Hills landfill. The expected asset retirement activities include final closure and reclamation of the landfill site and environmental monitoring for 25 years following closure. The landfill has an estimated useful life of 102 years, of which 63 years remain. The estimated total undiscounted future expenditures associated with this obligation are \$2,439,097.

Fuel tanks

The Town has recognized asset retirement obligations for fuel tanks located at the airport, landfill and Public Works site. The expected asset retirement activities include decommissioning, removal, transportation and prescribed disposal of the tanks and their remaining contents. The fuel tanks have estimated useful lives ranging from 23 to 32 years, of which 11 to 22 years remain. The estimated total undiscounted future expenditures associated with these obligations are \$6,762.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

Changes in the asset retirement obligation in the year are as follows:

Asset Retirement Obligation

	2024					
	Hazardous building materials	Refrigeration equipment	Water and wastewater infrastructure	Landfill	Fuel tanks	Total
Opening balance	\$ 300,503	\$ 7,836	\$ 1,304,524	\$ 1,238,167	\$ 5,579	\$ 2,856,609
Accretion	\$ 11,569	\$ 302	\$ 50,224	\$ 47,669	\$ 215	\$ 109,979
Closing balance	\$ 312,072	\$ 8,138	\$ 1,354,748	\$ 1,285,836	\$ 5,794	\$ 2,966,588

	2023					
	Hazardous building materials	Refrigeration equipment	Water and wastewater infrastructure	Landfill	Fuel tanks	Total
Opening balance	\$ 289,362	\$ 7,545	\$ 1,256,162	\$ 1,192,265	\$ 5,372	\$ 2,750,706
Accretion	\$ 11,140	\$ 291	\$ 48,362	\$ 45,902	\$ 207	\$ 105,902
Closing balance	\$ 300,502	\$ 7,836	\$ 1,304,524	\$ 1,238,167	\$ 5,579	\$ 2,856,608

The asset retirement liability has been estimated using a net present value technique at discount rate 3.85% and an inflation rate of 2.80% based on the Bank of Canada long-term bond yields and CPI 40 year average as well as using the assumptions as described above. The related asset retirement costs are being amortized on a straight-line basis over the remaining useful lives of the assets.

Significant estimates and assumptions are made in determining the asset retirement costs as there are numerous factors that will affect the amount ultimately payable. Those uncertainties may result in future actual expenditures that are different than the amounts currently recorded. At each reporting date, as more information and experience is obtained as it relates to these asset retirement obligations, the estimates of the timing, the undiscounted cash flows and the discount rates may change. Adjustments to these factors are accounted for as an adjustment to the asset retirement obligation and the related tangible capital asset in the current period on a prospective basis.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

10. Tangible Capital Assets

	2024								
	Construction in Progress	Land	Land Improvements	Building	Engineered Structures	Machinery & Equipment	Vehicles	Total	
Cost, beginning of year	\$ 1,211,203	\$ 2,597,995	\$ 4,234,393	\$ 11,046,994	\$ 68,027,984	\$ 5,243,512	\$ 1,414,642	\$ 93,776,723	
Additions	466,363	-	159,061	-	6,806,975	55,525	361,116	7,849,040	
Change in work in progress	(931,309)	-	-	-	931,309	-	-	-	
Write-downs & disposals	-	-	(28,619)	-	(729,534)	(7,955)	(208,234)	(974,342)	
Cost, end of year	\$ 746,257	\$ 2,597,995	\$ 4,364,835	\$ 11,046,994	\$ 75,036,734	\$ 5,291,082	\$ 1,567,524	\$ 100,651,421	
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 2,411,065	\$ 5,370,328	\$ 25,823,224	\$ 2,875,528	\$ 887,468	\$ 37,367,613	
Amortization	-	-	176,690	300,252	1,396,785	335,412	88,221	2,297,360	
Write-downs & disposals	-	-	(28,618)	-	(601,494)	(7,558)	(197,820)	(835,490)	
Accumulated amortization, end of year	\$ -	\$ -	\$ 2,559,137	\$ 5,670,580	\$ 26,618,515	\$ 3,203,382	\$ 777,869	\$ 38,829,483	
Net carrying amount, end of year	\$ 746,257	\$ 2,597,995	\$ 1,805,698	\$ 5,376,414	\$ 48,418,219	\$ 2,087,700	\$ 789,655	\$ 61,821,938	

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

10. Tangible Capital Assets (continued)

	2023 Restated (Note 1)							
	Construction in Progress	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Total
Cost, beginning of year	\$ 74,970	\$ 2,597,995	\$ 4,234,393	\$ 11,008,510	\$ 67,623,132	\$ 4,980,464	\$ 1,414,642	\$ 91,934,106
Additions	1,136,233	-	-	38,484	432,283	263,048	-	1,870,048
Change in work in progress	-	-	-	-	-	-	-	-
Disposal of tangible capital assets	-	-	-	-	(27,431)	-	-	(27,431)
Cost, end of year	\$ 1,211,203	\$ 2,597,995	\$ 4,234,393	\$ 11,046,994	\$ 68,027,984	\$ 5,243,512	\$ 1,414,642	\$ 93,776,723
Accumulated amortization, beginning of year	\$ -	\$ -	\$ 2,236,855	\$ 5,070,090	\$ 24,386,434	\$ 2,563,451	\$ 808,768	\$ 35,065,598
Amortization	-	-	174,210	300,238	1,464,219	312,077	78,700	2,329,444
Write-downs & disposals	-	-	-	-	(27,429)	-	-	(27,429)
Accumulated amortization, end of year	\$ -	\$ -	\$ 2,411,065	\$ 5,370,328	\$ 25,823,224	\$ 2,875,528	\$ 887,468	\$ 37,367,613
Net carrying amount, end of year	\$ 1,211,203	\$ 2,597,995	\$ 1,823,328	\$ 5,676,666	\$ 42,204,760	\$ 2,367,984	\$ 527,174	\$ 56,409,110

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

11. Equity in Tangible Capital Assets

	<u>2024</u>	<u>2023</u>
Tangible capital assets	\$ 100,651,421	\$ 93,776,723
Accumulated amortization	(38,829,483)	(37,367,613)
Long-term debt	(6,044,671)	(6,710,921)
Asset retirement obligation	(2,966,588)	(2,856,608)
	<u>\$ 52,810,679</u>	<u>\$ 46,841,581</u>

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

12. Accumulated Surplus

	2024	2023 Restated (see Note 1)
Equity in tangible capital assets (Note 11)	\$ 52,810,679	\$ 46,841,581
Unrestricted surplus	3,252,401	3,046,690
	<u>56,063,080</u>	<u>49,888,271</u>
Operating Reserves:		
General fund	1,359,678	1,367,300
Mill rate stabilization	914,994	614,994
Water	349,577	324,576
Landfill environmental	459,467	409,467
Cemetery	32,399	28,899
	<u>3,116,115</u>	<u>2,745,236</u>
Capital Reserves:		
General fund	1,845,999	1,461,153
Emergency service	328,911	528,730
Transportation	370,225	583,061
Water	2,092,204	1,846,075
Water offsite levy	31,437	31,437
Water distribution offsite levy	14,787	14,787
Wastewater	141,599	841,599
Solid waste	536,280	466,470
Cemetery expansion	32,440	30,000
Land	664,383	664,383
Recreation	424,894	349,754
Campground	98,721	93,141
Municipal reserve	122,974	122,974
Administration	74,128	45,018
Aquatic Centre	425,530	400,410
Arena	331,239	239,819
Community Centre	138,460	130,000
Library	39,750	32,500
	<u>\$ 7,713,961</u>	<u>\$ 7,881,311</u>
Total Reserves	<u>10,830,076</u>	<u>10,626,547</u>
	<u>\$ 66,893,156</u>	<u>\$ 60,514,818</u>

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

13. Change in Accumulated Surplus

	Unrestricted surplus	Reserves	Equity in tangible capital assets	2024	2023 Restated (see Note 1)
Balance, beginning of year	\$ 3,046,690	\$ 10,626,547	\$ 46,841,581	\$ 60,514,818	\$ 58,782,420
Excess of revenue over expenses	6,378,338	-	-	6,378,338	1,732,398
Net operating transfers to restricted surplus	(370,877)	370,877	-	-	-
Accretion expense	109,979	-	(109,979)	-	-
Debenture principal payments	(666,250)	-	666,250	-	-
Capital transfers from restricted surplus	167,348	(167,348)	-	-	-
Acquisition of capital	(7,849,040)	-	7,849,040	-	-
Disposals and write-down of assets	138,853	-	(138,853)	-	-
Amortization	2,297,360	-	(2,297,360)	-	-
Change in accumulated surplus	\$ 205,711	\$ 203,529	\$ 5,969,098	\$ 6,378,338	\$ 1,732,398
Balance, end of year	\$ 3,252,401	\$ 10,830,076	\$ 52,810,679	\$ 66,893,156	\$ 60,514,818

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

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:

	2024	2023
Total debt limit	\$ 20,351,609	\$ 16,772,769
Total debt	<u>6,044,671</u>	<u>6,710,921</u>
Total debt limit available	<u>14,306,938</u>	<u>10,061,848</u>
Debt servicing limit	3,391,935	2,795,462
Debt servicing	<u>861,978</u>	<u>861,978</u>
Total debt servicing limit available	<u>2,529,957</u>	<u>1,933,484</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.

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 2022, 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.

December 31, 2024

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 \$20,845 (2023 - \$20,466). 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 January 1, 2025 to September 30, 2025. 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.

On June 8, 2022, the Town entered into an agreement with Golden Acres Honey Products Ltd. relating to the construction of a sanitary sewer mainline. Under the agreement, the Town is required to remit to the developer connection fees from other benefiting land owners. The Town's obligation continues until June 8, 2037 with \$330,000 remaining.

On October 17, 2024, the Town entered into an agreement with Alberta Municipal Services Corporation for the purchase of fixed-price natural gas from January 1, 2025 to December 31, 2027. The Town committed to purchasing approximately 12,560 gigajoules annually at a maximum price of \$3.50 per gigajoule.

The Town has entered into a three-year agreement with regional municipal partners to provide rent stabilization funding for the Kneehill Medical Clinic commencing August 1, 2024 to August 1, 2027. Under the agreement, the town is committed to contributing \$22,589 annually, with funding prorated for partial years.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

17. Taxation - Net

	Budget 2024	2024	2023
Taxation			
Real property taxes	\$ 4,514,810	\$ 4,579,835	\$ 4,349,167
Linear	72,870	71,613	70,827
Machinery and equipment	18,840	24,573	18,333
Grants in place for property taxes	13,610	15,148	18,146
	<u>4,620,130</u>	<u>4,691,169</u>	<u>4,456,473</u>
Requisitions			
Alberta School Foundation Fund	929,150	946,680	915,338
Golden Hills Lodge	14,040	49,178	13,900
	<u>943,190</u>	<u>995,858</u>	<u>929,238</u>
Available for general municipal purposes	<u>\$ 3,676,940</u>	<u>\$ 3,695,311</u>	<u>\$ 3,527,235</u>

18. Government Transfers

	Budget 2024	2024	2023
Operating			
Provincial government	\$ 343,100	\$ 406,711	\$ 421,580
Federal government	6,300	-	6,300
Local government	25,000	25,000	25,000
	<u>\$ 374,400</u>	<u>\$ 431,711</u>	<u>\$ 452,880</u>
Capital			
Provincial government	\$ 640,000	\$ 2,031,154	\$ 377,300
Federal government	-	125,004	-
	<u>\$ 640,000</u>	<u>\$ 2,156,158</u>	<u>\$ 377,300</u>
Total government transfers	<u>\$ 1,014,400</u>	<u>\$ 2,587,869</u>	<u>\$ 830,180</u>

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

19. Expenses by Object

	Budget 2024	2024	2023
Salaries and wages and benefits	\$ 3,211,030	\$ 3,116,409	\$ 3,084,303
Contracted and general services	1,859,910	1,594,914	1,663,379
Materials, goods, supplies and utilities	2,200,930	2,108,378	2,152,620
Transfer to local boards and agencies	176,150	265,637	171,652
Transfer to individuals and organizations	89,250	90,610	51,238
Bank charges and short term interest	216,920	229,497	238,532
Interest on capital long-term debt	7,080	10,595	9,540
Accretion	-	109,979	105,904
Amortization	-	2,297,360	2,329,444
Other expenditures	4,100	4,388	20,133
	<u>\$ 7,765,370</u>	<u>\$ 9,827,767</u>	<u>\$ 9,826,745</u>

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

20. 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 327,000 people and 460 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 contributed to the Plan at a rate of 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.65% 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 10.65% for the excess

Contributions for the year were:

	2024	2023
Employer contributions	\$ 137,286	\$ 155,288
Employee contributions	121,923	135,588
	<u>\$ 259,209</u>	<u>\$ 290,876</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, 2025 indicates a surplus of \$22.561 billion (2024 - \$19.557 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

21. 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 2024	Total 2023
Mayor Wildeman	24,204	9,922	34,126	32,150
Councilor Hazelton	20,282	112	20,394	19,222
Councilor Kirk	13,230	145	13,375	19,222
Councilor Lammle	18,789	173	18,962	15,649
Councilor Sept	14,903	173	15,076	13,514
Chief Administrative Officer	165,519	14,024	179,543	186,374

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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

22. Budget

The budget adopted by Council on December 11, 2023 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 2024, with adjustments as follows:

Operating budget surplus	\$ (2,516,490)
Amortization	2,297,360
Net operating transfers to reserves	<u>219,130</u>
Budgeted operating surplus	<u>\$ -</u>
 Capital budget surplus	 \$ (732,500)
Capital expenditures	940,500
Debenture principal payments	666,250
Budgeted transfers to reserves	<u>(874,250)</u>
Budgeted capital surplus	<u>\$ -</u>
Financial budget approved by Council	<u><u>\$ -</u></u>

December 31, 2024

23. 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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

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.

Town of Three Hills
Notes to Consolidated Financial Statements

December 31, 2024

23. Segmented Information (continued)

For the year ended December 31	Protective Services	Waste Management	Transportation Services	Water and Wastewater	Planning and Development	Parks and Recreation	Public Health and Welfare	General Government	2024 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,695,311	\$ 3,695,311
Government transfers for operating	5,501	-	25,000	58,278	-	121,932	-	221,000	431,711
Government transfers for capital	-	-	797,993	1,181,018	-	177,148	-	-	2,156,159
Sales and user fees	101,515	806,217	157,430	2,704,448	25,873	360,016	18,875	145,535	4,319,909
Franchises and concessions	-	-	-	-	-	-	-	510,316	510,316
Investment income	-	-	-	-	-	-	-	474,027	474,027
Fines and costs	3,779	-	-	-	-	-	-	74,526	78,305
Rental revenue	-	-	-	-	-	171,681	-	17,325	189,006
Insurance proceeds	-	-	-	3,484,343	-	-	-	9,671	3,494,014
Contributed asset	-	-	-	450,000	-	159,061	-	-	609,061
Other	9,800	-	2,000	-	-	24,016	-	339,323	375,139
Gain (loss) on disposal of assets	-	(368)	(54,725)	(71,362)	-	(399)	-	1	(126,853)
	<u>120,595</u>	<u>805,849</u>	<u>927,698</u>	<u>7,806,725</u>	<u>25,873</u>	<u>1,013,455</u>	<u>18,875</u>	<u>5,487,035</u>	<u>16,206,105</u>
Expenses									
Salaries and wages	249,226	187,670	502,406	562,090	43,319	919,356	-	652,342	3,116,409
Contracted and general services	28,540	157,445	139,777	688,666	22,126	275,522	2,565	280,273	1,594,914
Materials, goods and utilities	66,652	62,872	631,414	536,909	30,047	602,444	2,429	175,611	2,108,378
Transfer to local agencies	-	-	-	-	-	220,985	44,652	-	265,637
Transfers to individuals and organizations	-	-	-	-	-	-	-	90,610	90,610
Bank charges and short-term interests	-	1,112	-	187,077	-	27,128	-	14,180	229,497
Interest on long-term debt	-	-	2,584	-	-	8,011	-	-	10,595
Amortization	91,619	86,226	591,789	1,032,562	589	431,907	4,947	57,721	2,297,360
Other	656	58	401	441	-	547	220	2,065	4,388
Accretion	-	47,736	447	50,224	-	11,572	-	-	109,979
	<u>436,693</u>	<u>543,119</u>	<u>1,868,818</u>	<u>3,057,969</u>	<u>96,081</u>	<u>2,497,472</u>	<u>54,813</u>	<u>1,272,802</u>	<u>9,827,767</u>
Net surplus (deficit)	\$ (316,098)	\$ 262,730	\$ (941,120)	\$ 4,748,756	\$ (70,208)	\$ (1,484,017)	\$ (35,938)	\$ 4,214,233	\$ 6,378,338

Town of Three Hills
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23. Segmented Information (continued)

For the year ended December 31	Protective Services	Waste Management	Transportation Services	Water and Wastewater	Planning and Development	Parks and Recreation	Public Health and Welfare	General Government	2023 Total
Revenue									
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	102,922	-	-	-	-	377,300
Sales and user fees	91,511	806,499	298,825	3,063,406	35,128	368,849	19,791	26,461	4,710,470
Franchises and concessions	-	-	-	-	-	-	-	449,964	449,964
Investment income	-	-	-	-	-	-	-	559,906	559,906
Fines and costs	2,590	-	-	-	-	-	-	55,482	58,072
Rentals	-	-	-	-	-	157,372	-	15,534	172,906
Insurance proceeds	-	-	-	874,183	-	-	-	-	874,183
Other	1,636	-	-	-	-	28,997	-	345,597	376,230
Gain (loss) on sale of assets	-	-	(3)	-	-	-	-	-	(3)
	<u>95,737</u>	<u>806,499</u>	<u>600,300</u>	<u>4,118,992</u>	<u>35,128</u>	<u>681,517</u>	<u>19,791</u>	<u>5,201,179</u>	<u>11,559,143</u>
Expenses									
Salaries and wages	306,721	124,462	457,255	618,977	39,699	823,142	-	714,047	3,084,303
Contracted and general services	40,202	143,512	97,671	788,352	23,303	286,660	745	282,934	1,663,379
Materials, goods and utilities	56,085	64,452	569,753	653,058	22,338	651,149	1,883	133,902	2,152,620
Transfer to local agencies	1,000	-	-	-	-	128,466	42,186	-	171,652
Transfers to individuals and organizations	-	-	-	-	-	-	-	51,238	51,238
Bank charges and short-term interest	-	1,042	-	198,195	-	26,582	-	12,713	238,532
Interest on long-term debt	-	-	2,179	-	-	7,361	-	-	9,540
Amortization	91,220	86,226	585,611	1,076,830	590	425,228	4,947	58,792	2,329,444
Other	188	-	-	15,785	-	781	-	3,379	20,133
Accretion	-	45,967	431	48,363	-	11,143	-	-	105,904
	<u>495,416</u>	<u>465,661</u>	<u>1,712,900</u>	<u>3,399,560</u>	<u>85,930</u>	<u>2,360,512</u>	<u>49,761</u>	<u>1,257,005</u>	<u>9,826,745</u>
Net surplus (deficit)	\$ (399,679)	\$ 340,838	\$ (1,112,600)	\$ 719,432	\$ (50,802)	\$ (1,678,995)	\$ (29,970)	\$ 3,944,174	\$ 1,732,398

December 31, 2024

24. 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 trade and other receivables.

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 4. 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.

26. Subsequent Event

Subsequent to year end, land subject to litigation involving RCM Condos was sold. The town had pursued legal action to compel the sale of the land in order to recover costs incurred to remediate the condominium property and ensure the units were safe for occupancy. The financial impact of the sale will be recognized in the period in which the transaction was completed.

Town of Three Hills
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26. Comparative Figures

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

27. Approval of Financial Statements

Council and Management approved these financial statements.
