

**Town of Three Hills  
Consolidated Financial Statements  
For the year ended December 31, 2020**

**Town of Three Hills**  
**Consolidated Financial Statements**  
**For the year ended December 31, 2020**

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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, 2020, 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, 2020 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 our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of 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.

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## Independent Auditor's Report, continued

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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  
Red Deer, Alberta  
April 26, 2020

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

| December 31   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Financial assets</b>                                   |                      |                      |
| Cash and temporary investments (Note 1)                   | \$ 11,564,648        | \$ 18,351,277        |
| Receivables   |                      |                      |
| Taxes and grants in place of taxes (Note 2)               | 320,165              | 152,037              |
| Trade and other receivables (Note 3)                      | 3,962,027            | 7,263,825            |
| Land inventory held for resale                            | 738,240              | 839,413              |
| Inventory held for resale                                 | 5,136                | 26,026               |
| Investments   | 50                   | 70                   |
| Loans receivable (Note 4)                                 | 111,448              | 117,673              |
|   | <b>16,701,714</b>    | <b>26,750,321</b>    |
| <b>Liabilities</b>  |                      |                      |
| Accounts payable and accrued liabilities                  | 1,649,835            | 1,086,618            |
| Employee benefit obligation (Note 5)                      | 138,521              | 117,096              |
| Deposit liabilities                                       | 98,075               | 168,756              |
| Deferred revenue (Note 6)                                 | 2,664,876            | 10,285,090           |
| Long-term debt (Note 7)                                   | 7,287,347            | 7,797,364            |
| Solid waste closure and post-closure liabilities (Note 8) | 451,404              | 367,404              |
|   | <b>12,290,058</b>    | <b>19,822,328</b>    |
| <b>Net financial assets</b>                               | <b>4,411,656</b>     | <b>6,927,993</b>     |
| <b>Non-financial assets</b>                               |                      |                      |
| Tangible capital assets (Note 9)                          | 53,373,878           | 41,447,679           |
| Inventory for consumption                                 | 117,087              | 171,789              |
| Prepaid expenses  | 6,359                | 50,717               |
|   | <b>53,497,324</b>    | <b>41,670,185</b>    |
| <b>Accumulated surplus (Note 11)</b>                      | <b>\$ 57,908,980</b> | <b>\$ 48,598,178</b> |
| <b>Debenture debt limits (Note 13)</b>                    |                      |                      |
| <b>Contingencies (Note 14)</b>                            |                      |                      |
| <b>Commitments (Note 15)</b>                              |                      |                      |

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

| <b>For the year ended December 31</b>                         | <b>Budget<br/>2020</b> | <b>2020</b>          | <b>2019</b>          |
|---|------------------------|----------------------|----------------------|
| <b>Revenue</b>  |                        |                      |                      |
| Net municipal taxes (Note 16)                                 | \$ 3,420,416           | \$ 3,430,993         | \$ 3,699,792         |
| Government transfers for operating (Note 17)                  | 354,734                | 624,032              | 319,939              |
| Sales and user fees   | 3,208,371              | 3,712,340            | 3,926,687            |
| Rental revenue  | 158,460                | 105,719              | 157,966              |
| Franchises and concessions                                    | 277,000                | 298,298              | 302,370              |
| Investment income   | 70,200                 | 234,525              | 171,085              |
| Penalties and costs on taxes                                  | 24,000                 | 31,318               | 32,689               |
| Fines and costs   | 6,000                  | 6,610                | 10,027               |
| Other   | 28,920                 | 124,668              | 209,973              |
| Gain (loss) on disposal of assets                             | -                      | 5,589                | (3,980)              |
|   | <b>7,548,101</b>       | <b>8,574,092</b>     | <b>8,826,548</b>     |
| <b>Expenditures (Note 18)</b>                                 |                        |                      |                      |
| Legislative   | 242,936                | 196,594              | 265,048              |
| Administration  | 1,285,261              | 1,372,508            | 1,480,908            |
| Protective services   | 398,215                | 334,130              | 257,202              |
| Transportation services                                       | 1,542,015              | 1,800,826            | 1,490,254            |
| Water and wastewater  | 2,358,604              | 2,119,227            | 1,775,631            |
| Waste management  | 502,394                | 454,587              | 417,970              |
| Planning and development                                      | 250,366                | 285,926              | 451,951              |
| Recreation and parks  | 1,971,438              | 1,793,041            | 2,060,563            |
| Public health and welfare                                     | 37,604                 | 38,442               | 48,550               |
|   | <b>8,588,833</b>       | <b>8,395,281</b>     | <b>8,248,077</b>     |
| <b>Deficiency of revenue over expenditures - before other</b> | <b>(1,040,732)</b>     | <b>178,811</b>       | <b>578,471</b>       |
| <b>Other</b>  |                        |                      |                      |
| Government transfers for capital (Note 17)                    | 9,475,288              | 9,131,991            | 1,780,430            |
| <b>Excess of revenue over expenditures</b>                    | <b>8,434,556</b>       | <b>9,310,802</b>     | <b>2,358,901</b>     |
| <b>Accumulated surplus, beginning of year</b>                 | <b>48,598,178</b>      | <b>48,598,178</b>    | <b>46,239,277</b>    |
| <b>Accumulated surplus, end of year</b>                       | <b>\$ 57,032,734</b>   | <b>\$ 57,908,980</b> | <b>\$ 48,598,178</b> |

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

| <b>For the year ended December 31</b>          | <b>Budget<br/>2020</b> | <b>2020</b>  | <b>2019</b>  |
|--|------------------------|--------------|--------------|
| Excess of revenue over expenditures            | \$ 8,434,556           | \$ 9,310,802 | \$ 2,358,901 |
| Acquisition of tangible capital assets         | (14,608,963)           | (13,913,313) | (2,107,065)  |
| Amortization of tangible capital assets        | 1,901,587              | 1,901,587    | 1,918,202    |
| Proceeds on sale of tangible capital assets    | 9,200                  | 91,117       | 6,936        |
| (Gain) loss on sale of tangible capital assets | -                      | (5,590)      | 3,980        |
|  | (4,263,620)            | (2,615,397)  | 2,180,954    |
| Change in prepaid expenses                     | -                      | 44,358       | 22,357       |
| Change in inventory for consumption            | -                      | 54,702       | (171,789)    |
|  | -                      | 99,060       | (149,432)    |
| <b>Net change in net financial assets</b>      | (4,263,620)            | (2,516,337)  | 2,031,522    |
| <b>Net financial assets, beginning of year</b> | 6,927,993              | 6,927,993    | 4,896,471    |
| <b>Net financial assets, end of year</b>       | \$ 2,664,373           | \$ 4,411,656 | \$ 6,927,993 |

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

| <b>For the year ended December 31</b>                  | <b>2020</b>                 | <b>2019</b>                 |
|--|-----------------------------|-----------------------------|
| <b>Operating transactions</b>                          |                             |                             |
| Excess of revenue over expenditures                    | \$ 9,310,802                | \$ 2,358,901                |
| Items not involving cash                               |                             |                             |
| Amortization   | 1,901,587                   | 1,918,202                   |
| Net loss (gain) on disposal of tangible capital assets | (5,590)                     | 3,980                       |
| Changes in non-cash operating balances                 |                             |                             |
| Taxes receivable                                       | (168,128)                   | (7,664)                     |
| Accounts receivable                                    | 3,301,798                   | 3,200,628                   |
| Land inventory held for resale                         | 101,173                     | 59,181                      |
| Inventory held for resale                              | 20,890                      | 12,160                      |
| Loan receivable  | 6,225                       | 5,995                       |
| Prepaid expenses                                       | 44,358                      | 22,357                      |
| Accounts payable and accrued liabilities               | 563,217                     | 165,044                     |
| Inventory for consumption                              | 54,702                      | (171,789)                   |
| Employee benefit obligation                            | 21,425                      | (47,047)                    |
| Deposit liabilities                                    | (70,681)                    | (2,665)                     |
| Deferred revenue                                       | (7,620,214)                 | (1,170,884)                 |
| Solid waste closure and post closure liabilities       | 84,000                      | 7,204                       |
|  | <u>7,545,564</u>            | <u>6,353,603</u>            |
| <b>Capital transactions</b>                            |                             |                             |
| Acquisition of tangible capital assets                 | (13,913,313)                | (2,107,065)                 |
| Proceeds on sale of tangible capital assets            | 91,117                      | 6,936                       |
|  | <u>(13,822,196)</u>         | <u>(2,100,129)</u>          |
| <b>Investing transactions</b>                          |                             |                             |
| Change of investments                                  | <u>20</u>                   | <u>224</u>                  |
| <b>Financing transactions</b>                          |                             |                             |
| Proceeds from issuance of long-term debt               | -                           | 5,871,767                   |
| Repayment of long-term debt                            | (510,017)                   | (322,854)                   |
|  | <u>(510,017)</u>            | <u>5,548,913</u>            |
| <b>Net change in cash and cash equivalents</b>         | <b>(6,786,629)</b>          | <b>9,802,611</b>            |
| <b>Cash and cash equivalents, beginning of year</b>    | <b><u>18,351,277</u></b>    | <b><u>8,548,666</u></b>     |
| <b>Cash and cash equivalents, end of year</b>          | <b><u>\$ 11,564,648</u></b> | <b><u>\$ 18,351,277</u></b> |



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

**December 31, 2020**

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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.

**Cash and Cash  
Equivalents**

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

**Investments**

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

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

**December 31, 2020**

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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.

**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

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## Town of Three Hills Summary of Significant Accounting Policies

**December 31, 2020**

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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.

**Deferred Revenue** Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the consolidated statement of financial position. The revenue is recognized in the consolidated statement of operations in the year in which it is used for the specified purpose.

**Government Transfers** 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 made.

**Revenue Recognition** Taxes are recognized as revenue in the year they are levied. Charges for sewer and water usage are recorded as user fees. Connection fee revenues are recognized when the connection has been established.

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when monies are receivable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

Sales of service and other revenue is recognized on an accrual basis.

**Landfill Closure and Post Closure Liability** Pursuant to Alberta Environmental Protection and Enhancement Act, the Town is required to fund the closure of its landfill site and provide for post-closure care of the facility. Closure and post-closure activities include, but are not limited to, final clay cover, landscaping, as well as surface and ground water monitoring, leachate control and visual inspection. The requirement is being provided for over the estimate of the remaining life of the landfill site based on usage.

**Liability for Contaminated Sites** A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the organization is 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. The liability is recorded net of any expected recoveries.

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

**December 31, 2020**

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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. Actual results could differ from management's best estimates as additional information becomes available in the future.

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

**December 31, 2020**

**1. Cash and Temporary Investments**

|      | 2020                 | 2019                 |
|------|----------------------|----------------------|
| Cash | <b>\$ 11,564,648</b> | <b>\$ 18,351,277</b> |

The Town has available to it an operating line of credit with ATB Financial, having an authorized limit of \$500,000, which bears interest at prime plus 1.00%. As at December 31, 2020 - \$0 was drawn on this line of credit. The full amount of which is available for cash flow management as necessary.

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:

|                      | 2020                | 2019                |
|----------------------|---------------------|---------------------|
| MSI - Capital        | <b>\$ 1,936,238</b> | <b>\$ 1,942,161</b> |
| Kneehill County      | <b>318,973</b>      | <b>318,973</b>      |
| Federal Gas Tax Fund | <b>554,073</b>      | <b>912,548</b>      |
|                      | <b>\$ 2,809,284</b> | <b>\$ 3,173,682</b> |

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

|                                       | 2020              | 2019              |
|---------------------------------------|-------------------|-------------------|
| Current taxes and grants in place     | <b>\$ 238,418</b> | <b>\$ 96,312</b>  |
| Non-current taxes and grants in place | <b>81,747</b>     | <b>55,725</b>     |
|                                       | <b>\$ 320,165</b> | <b>\$ 152,037</b> |

**3. Accounts Receivable**

|                                       | 2020                | 2019                |
|---------------------------------------|---------------------|---------------------|
| Trade receivables                     | <b>\$ 961,702</b>   | <b>\$ 483,892</b>   |
| GST receivable                        | <b>381,874</b>      | <b>60,271</b>       |
| Receivables from other governments    | <b>2,646,382</b>    | <b>6,744,270</b>    |
| Less: Allowance for doubtful accounts | <b>(27,931)</b>     | <b>(24,608)</b>     |
|                                       | <b>\$ 3,962,027</b> | <b>\$ 7,263,825</b> |

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

**December 31, 2020**

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**4. Loans Receivable**

|                     | <u>2020</u>       | <u>2019</u>       |
|---------------------|-------------------|-------------------|
| Mortgage receivable | <u>\$ 111,448</u> | <u>\$ 117,673</u> |

The mortgage receivable relates to the sale of certain Town owned property. The mortgage bears interest at 3% and is repayable in monthly blended payments of \$777. The mortgage matures in November 2035.

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**5. Employee Benefit Obligation**

|                            | <u>2020</u>       | <u>2019</u>       |
|----------------------------|-------------------|-------------------|
| Accrued vacation pay       | <u>\$ 128,882</u> | <u>\$ 109,087</u> |
| Accrued sick leave benefit | <u>7,488</u>      | <u>7,310</u>      |
| Accrued flex time benefit  | <u>2,151</u>      | <u>699</u>        |
|                            | <u>\$ 138,521</u> | <u>\$ 117,096</u> |

The vacation and sick benefits liability is comprised of vacation and sick days credits that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budget year.

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

**December 31, 2020**

**6. Deferred Revenue**

|   | Opening<br>balance   | Contributions<br>received or<br>receivable | Revenue<br>recognized | Ending<br>balance   |
|---|----------------------|--|-----------------------|---------------------|
| MSI - Capital                                 | \$ 1,942,161         | 706,010                                    | (1,405,549)           | \$ 1,242,622        |
| Kneehill County                               | 318,973              | 370,870                                    | (370,870)             | 318,973             |
| Federal Gas Tax<br>Fund                       | 912,548              | 190,573                                    | (549,048)             | 554,073             |
| AMWWP   | 6,926,524            | -  | (6,926,524)           | -                   |
| Municipal Stimulus<br>Program                 | -                    | 381,808                                    | -                     | 381,808             |
| Community and<br>Regional Economic<br>Support | 34,873               | -  | (34,873)              | -                   |
| Artis   | 60,822               | -  | -                     | 60,822              |
| MOST  | -                    | 330,244                                    | (319,592)             | 10,652              |
| MSI - Operating                               | -                    | 107,767                                    | (107,767)             | -                   |
| Airport                                       | -                    | 25,000                                     | (25,000)              | -                   |
| Canada Summer<br>Jobs                         | -                    | 16,800                                     | (16,800)              | -                   |
| Other   | 89,189               | 37,592                                     | (30,855)              | 95,926              |
|   | <u>\$ 10,285,090</u> | <u>2,166,664</u>                           | <u>(9,786,878)</u>    | <u>\$ 2,664,876</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.

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

**December 31, 2020**

**7. Long-Term Debt**

|                           | 2020      | 2019      |
|---------------------------|-----------|-----------|
| Tax supported debentures  | 6,392,104 | 6,701,769 |
| Tax supported loans       | 874,672   | 1,008,607 |
| Self supported debentures | 20,571    | 67,944    |
| Self supported loans      | -         | 19,044    |
|                           | 7,287,347 | 7,797,364 |

Principal and interest repayments are as follows:

|            | Principal<br>Repayments | Interest<br>Payments | Total         |
|------------|-------------------------|----------------------|---------------|
| 2021       | \$ 452,613              | \$ 204,524           | \$ 657,137    |
| 2022       | 434,686                 | 191,299              | 625,985       |
| 2023       | 447,676                 | 178,309              | 625,985       |
| 2024       | 461,080                 | 164,905              | 625,985       |
| 2025       | 474,912                 | 151,073              | 625,985       |
| Thereafter | 5,016,380               | 1,852,115            | 6,868,495     |
|            | \$ 7,287,347            | \$ 2,742,225         | \$ 10,029,572 |

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 2021 through 2039.

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

Bank loans are repayable in monthly and annual blended payments that bear an interest rate ranging from 2.56% to 6.38%.



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

**December 31, 2020**

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

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The estimated total liability is based on the sum of the discounted future cash flows for close and postclosure activities for 25 years.

The accrued liability portion is based on the cumulative capacity used at year end compared to the estimated total landfill capacity. The total capacity of the site is estimated at 2,000 cubic metres.

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
|                              | (\$)             | (\$)             |
| Estimated closure costs      | <u>102,061</u>   | 105,939          |
| Estimated post-closure costs | <u>349,343</u>   | 261,465          |
| Estimated total liability    | 451,404          | 367,404          |
| Liability accrued            | <u>(451,404)</u> | <u>(367,404)</u> |

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

**December 31, 2020**

**9. Tangible Capital Assets**

|   | <b>2020</b>                 |              |                      |               |                          |                          |              |               |
|---|-----------------------------|--------------|----------------------|---------------|--------------------------|--------------------------|--------------|---------------|
|   | Construction<br>in Progress | Land         | Land<br>Improvements | Building      | Engineered<br>Structures | Machinery &<br>Equipment | Vehicles     | Total         |
| Cost, beginning of year                     | \$ 2,141,913                | \$ 2,643,474 | \$ 3,849,081         | \$ 10,659,491 | \$ 47,301,995            | \$ 4,464,327             | \$ 1,345,095 | \$ 72,405,376 |
| Additions                                   |                             | -            | -                    | 507,432       | 2,009,064                | 240,702                  | 270,857      | 3,028,055     |
| Change in work in progress                  | 10,885,258                  | -            | -                    | -             | -                        | -                        | -            | 10,885,258    |
| Write-downs & disposals                     | -                           | (45,479)     | -                    | (9,315)       | -                        | -                        | (114,819)    | (169,613)     |
| Cost, end of year                           | \$ 13,027,171               | \$ 2,597,995 | \$ 3,849,081         | \$ 11,157,608 | \$ 49,311,059            | \$ 4,705,029             | \$ 1,501,133 | \$ 86,149,076 |
| Accumulated amortization, beginning of year | \$ -                        | \$ -         | \$ 1,613,071         | \$ 4,341,027  | \$ 21,738,200            | \$ 2,498,851             | \$ 766,548   | \$ 30,957,697 |
| Amortization                                | -                           | -            | 172,312              | 294,342       | 1,031,277                | 320,149                  | 83,507       | 1,901,587     |
| Write-downs & disposals                     | -                           | -            | -                    | (1,278)       | -                        | -                        | (82,808)     | (84,086)      |
| Accumulated amortization, end of year       | \$ -                        | \$ -         | \$ 1,785,383         | \$ 4,634,091  | \$ 22,769,477            | \$ 2,819,000             | \$ 767,247   | \$ 32,775,198 |
| Net carrying amount, end of year            | \$ 13,027,171               | \$ 2,597,995 | \$ 2,063,698         | \$ 6,523,517  | \$ 26,541,582            | \$ 1,886,029             | \$ 733,886   | \$ 53,373,878 |

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

December 31, 2020

**9. Tangible Capital Assets (continued)**

|  | 2019                        |              |                      |               |                          |                          |              |               |
|--|-----------------------------|--------------|----------------------|---------------|--------------------------|--------------------------|--------------|---------------|
|  | Construction<br>in Progress | Land         | Land<br>Improvements | Buildings     | Engineered<br>Structures | Machinery &<br>Equipment | Vehicles     | Total         |
| Cost, beginning of year                        | \$ 722,012                  | \$ 2,643,474 | \$ 3,453,783         | \$ 10,659,491 | \$ 47,233,740            | \$ 4,463,375             | \$ 1,328,702 | \$ 70,504,577 |
| Additions                                      |                             | -            | 395,298              | -             | 68,255                   | 79,736                   | 143,875      | 687,164       |
| Change in work in progress                     | 1,419,901                   | -            | -                    | -             | -                        | -                        | -            | 1,419,901     |
| Disposal of tangible capital<br>assets         | -                           | -            | -                    | -             | -                        | (78,784)                 | (127,482)    | (206,266)     |
| Cost, end of year                              | \$ 2,141,913                | \$ 2,643,474 | \$ 3,849,081         | \$ 10,659,491 | \$ 47,301,995            | \$ 4,464,327             | \$ 1,345,095 | \$ 72,405,376 |
| Accumulated amortization,<br>beginning of year | \$ -                        | \$ -         | \$ 1,445,328         | \$ 4,040,977  | \$ 20,709,733            | \$ 2,227,396             | \$ 811,411   | \$ 29,234,845 |
| Amortization                                   |                             | -            | 167,743              | 300,050       | 1,028,467                | 346,367                  | 75,575       | 1,918,202     |
| Write-downs & disposals                        |                             | -            | -                    | -             | -                        | (74,912)                 | (120,438)    | (195,350)     |
| Accumulated amortization,<br>end of year       | \$ -                        | \$ -         | \$ 1,613,071         | \$ 4,341,027  | \$ 21,738,200            | \$ 2,498,851             | \$ 766,548   | \$ 30,957,697 |
| Net carrying amount, end<br>of year            | \$ 2,141,913                | \$ 2,643,474 | \$ 2,236,010         | \$ 6,318,464  | \$ 25,563,795            | \$ 1,965,476             | \$ 578,547   | \$ 41,447,679 |

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

**December 31, 2020**

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**10. Equity in Tangible Capital Assets**

|                          | <u>2020</u>          | <u>2019</u>          |
|--------------------------|----------------------|----------------------|
| Tangible capital assets  | \$ 86,149,076        | \$ 72,405,376        |
| Accumulated amortization | (32,775,198)         | (30,957,697)         |
| Long-term debt           | (7,287,347)          | (7,797,364)          |
|                          | <u>\$ 46,086,531</u> | <u>\$ 33,650,315</u> |

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

**December 31, 2020**

**11. Accumulated Surplus**

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Equity in tangible capital assets (Note 10) | \$ 46,086,531     | \$ 33,650,315     |
| Unrestricted surplus                        | 3,378,352         | 7,529,279         |
|   | <b>49,464,883</b> | <b>41,179,594</b> |
| Operating Reserves:                         |                   |                   |
| General fund                                | 488,528           | 268,658           |
| Grant program                               | -                 | 82,592            |
| Mill rate stabilization                     | 304,994           | 304,994           |
| Snow removal                                | 63,365            | 63,365            |
| Water                                       | 249,576           | 168,956           |
| Water distribution                          | -                 | 27,836            |
| Wastewater                                  | -                 | 52,785            |
| Solid waste                                 | -                 | 64,779            |
| Landfill environmental                      | 309,467           | 219,467           |
| Health                                      | -                 | 11,752            |
| Cemetery                                    | 23,899            | 23,899            |
| Landfill rate stabilization                 | -                 | 82,139            |
| Library                                     | -                 | 10,538            |
| Airport                                     | -                 | 148,155           |
|   | <b>1,439,829</b>  | <b>1,529,915</b>  |

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

**December 31, 2020**

**11. Accumulated Surplus (continued)**

|                                 |                          |                          |
|---------------------------------|--------------------------|--------------------------|
| Capital Reserves:               |                          |                          |
| General fund                    | 1,023,921                | 1,133,193                |
| Disaster services               | 76,365                   | 51,365                   |
| Bylaw                           | -                        | 13,856                   |
| Emergency service               | 465,266                  | 365,266                  |
| Transportation                  | 679,311                  | 135,300                  |
| Water                           | 1,528,355                | 1,528,355                |
| Water offsite levy              | 31,437                   | 31,437                   |
| Water distribution offsite levy | 14,787                   | 14,787                   |
| Wastewater                      | 652,771                  | 552,771                  |
| Landfill                        | -                        | 15,333                   |
| Solid waste                     | 491,412                  | 476,079                  |
| Cemetery expansion              | 10,000                   | 10,000                   |
| Land                            | 483,835                  | 464,302                  |
| Sub-division                    | -                        | 19,533                   |
| Recreation                      | 260,435                  | 260,435                  |
| Campground                      | 78,141                   | 78,141                   |
| Municipal reserve               | 88,516                   | 88,516                   |
| Administration                  | 50,000                   | 25,000                   |
| Aquatic Centre                  | 300,000                  | 250,000                  |
| Arena                           | 644,716                  | 250,000                  |
| Community Centre                | 100,000                  | 100,000                  |
| Library                         | 25,000                   | 25,000                   |
|                                 | <u>\$ 7,004,268</u>      | <u>\$ 5,888,669</u>      |
| <br>Total Reserves              | <br><u>8,444,097</u>     | <br><u>7,418,584</u>     |
|                                 | <br><u>\$ 57,908,980</u> | <br><u>\$ 48,598,178</u> |

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

**December 31, 2020**

**12. Change in Accumulated Surplus**

|   | Unrestricted surplus | Reserves     | Equity in tangible<br>capital assets | 2020          | 2019          |
|---|----------------------|--------------|--------------------------------------|---------------|---------------|
| Balance, beginning of year                    | \$ 7,529,279         | \$ 7,418,584 | \$ 33,650,315                        | \$ 48,598,178 | \$ 46,239,277 |
| Excess of revenue over expenses               | 9,310,802            | -            | -                                    | 9,310,802     | 2,358,901     |
| Net operating transfers to restricted surplus | 90,084               | (90,084)     | -                                    | -             | -             |
| Debenture principal payments                  | (510,017)            | -            | 510,017                              | -             | -             |
| Capital transfers from restricted surplus     | (1,115,597)          | 1,115,597    | -                                    | -             | -             |
| Acquisition of capital                        | (13,913,313)         | -            | 13,913,313                           | -             | -             |
| Disposals and write-down of assets            | 85,527               | -            | (85,527)                             | -             | -             |
| Amortization                                  | 1,901,587            | -            | (1,901,587)                          | -             | -             |
| Change in accumulated surplus                 | \$ (4,150,927)       | \$ 1,025,513 | \$ 12,436,216                        | \$ 9,310,802  | \$ 2,358,901  |
| Balance, end of year                          | \$ 3,378,352         | \$ 8,444,097 | \$ 46,086,531                        | \$ 57,908,980 | \$ 48,598,178 |

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

**December 31, 2020**

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**13. 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:

|                                      | 2020                 | 2019          |
|--------------------------------------|----------------------|---------------|
| Total debt limit                     | <b>\$ 12,852,755</b> | \$ 13,239,822 |
| Total debt                           | <b>7,287,347</b>     | 7,797,364     |
| Total debt limit available           | <b>5,565,408</b>     | 5,442,458     |
|                                      |                      |               |
| Debt servicing limit                 | <b>2,142,126</b>     | 2,206,637     |
| Debt servicing                       | <b>657,137</b>       | 729,579       |
| Total debt servicing limit available | <b>1,484,989</b>     | 1,477,058     |

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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**14. 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.

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**15. 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 \$20,053 (2019 - \$19,754). 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 rental equipment and annual service costs based on predetermined cost sharing schedule.

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

**December 31, 2020**

**16. Taxation - Net**

|  | Budget<br>2020      | 2020                | 2019                |
|--|---------------------|---------------------|---------------------|
| <b>Taxation</b>                          |                     |                     |                     |
| Real property taxes                      | \$ 4,236,527        | \$ 4,245,019        | \$ 4,468,104        |
| Linear                                   | 60,708              | 61,628              | 67,508              |
| Machinery and equipment                  | 17,374              | 16,891              | 18,438              |
| Grants in place for property taxes       | 16,865              | 15,348              | 14,147              |
|  | <u>4,331,474</u>    | <u>4,338,886</u>    | <u>4,568,197</u>    |
| <b>Requisitions</b>                      |                     |                     |                     |
| Alberta School Foundation Fund           | 898,866             | 896,066             | 856,360             |
| Golden Hills Lodge                       | 11,827              | 11,827              | 11,663              |
| Designated Industrial Property           | 365                 | -                   | 382                 |
|  | <u>911,058</u>      | <u>907,893</u>      | <u>868,405</u>      |
| Available for general municipal purposes | <u>\$ 3,420,416</u> | <u>\$ 3,430,993</u> | <u>\$ 3,699,792</u> |

**17. Government Transfers**

|                            | Budget<br>2020      | 2020                | 2019                |
|----------------------------|---------------------|---------------------|---------------------|
| <b>Operating</b>           |                     |                     |                     |
| Provincial government      | \$ 203,434          | \$ 462,232          | \$ 198,639          |
| Federal government         | 6,300               | 16,800              | 6,300               |
| Local government           | 145,000             | 145,000             | 115,000             |
|                            | <u>\$ 354,734</u>   | <u>\$ 624,032</u>   | <u>\$ 319,939</u>   |
| <b>Capital</b>             |                     |                     |                     |
| Provincial government      | \$ 9,475,288        | \$ 9,131,991        | \$ 1,780,430        |
| Total government transfers | <u>\$ 9,830,022</u> | <u>\$ 9,756,023</u> | <u>\$ 2,100,369</u> |

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

**December 31, 2020**

**18. Expenses by Object**

|   | Budget<br>2020      | 2020                | 2019                |
|---|---------------------|---------------------|---------------------|
| Salaries and wages and benefits           | \$ 2,839,668        | \$ 2,820,790        | \$ 3,039,281        |
| Contracted and general services           | 1,559,511           | 1,381,210           | 1,455,673           |
| Materials, goods, supplies and utilities  | 1,798,202           | 1,752,787           | 1,475,562           |
| Transfer to local boards and agencies     | 162,755             | 158,948             | 184,192             |
| Transfer to individuals and organizations | 34,750              | 40,232              | 69,443              |
| Bank charges and short term interest      | 15,800              | 44,388              | 26,280              |
| Interest on capital long-term debt        | 234,057             | 218,160             | 79,444              |
| Amortization                              | 1,944,090           | 1,874,270           | 1,918,202           |
| Other expenditures                        | -                   | 104,496             | -                   |
|   | <b>\$ 8,588,833</b> | <b>\$ 8,395,281</b> | <b>\$ 8,248,077</b> |

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

**December 31, 2020**

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**19. 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 275,000 people and 420 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 8.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.84% for the excess. Employees contribute to the Plan at a rate of 9.39% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 13.84% for the excess.

Contributions for the year were:

|                        | 2020              | 2019              |
|------------------------|-------------------|-------------------|
| Employer contributions | \$ 184,823        | \$ 178,642        |
| Employee contributions | 166,991           | 167,864           |
|                        | <u>\$ 351,814</u> | <u>\$ 346,506</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, 2019 indicates a surplus of \$7.913 billion (2018 - \$3.469 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, 2020**

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**20. 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:

|                                     | <b>Salary</b> | <b>Benefits &amp;<br/>Allowances</b> | <b>Total<br/>2020</b> | <b>Total<br/>2019</b> |
|-------------------------------------|---------------|--------------------------------------|-----------------------|-----------------------|
| Mayor Shearlaw                      | \$ 20,393     | \$ 84                                | \$ 20,477             | \$ 24,797             |
| Councilor Campbell                  | 12,512        | 42                                   | 12,554                | 16,758                |
| Councilor Hamm                      | 13,590        | 618                                  | 14,208                | 18,677                |
| Councilor Leo                       | 11,596        | 513                                  | 12,109                | 13,292                |
| Councilor Sept                      | 15,541        | 716                                  | 16,257                | 15,868                |
| Councilor Wiebe                     | 12,355        | 42                                   | 12,397                | 15,339                |
| Councilor Wildeman                  | 11,735        | 521                                  | 12,256                | 18,900                |
| Chief Administrative<br>Officer (2) | 161,512       | 9,003                                | 170,515               | 144,935               |

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, dental coverage, 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, 2020**

**21. Budget**

The budget adopted by Council on April 27, 2020, 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 on April 27, 2020, with adjustments as follows:

|   |                         |
|---|-------------------------|
| Operating budget deficit                                      | \$ (1,040,732)          |
| Add:  |                         |
| Excess (deficiency) of revenue over expenditures before other | <u>\$ (1,040,732)</u>   |
| <br>Capital budget surplus (deficit)                          | <br>\$ -                |
| Add:  |                         |
| Capital expenditures  | 14,608,963              |
| Less:   |                         |
| Budgeted debt proceeds  | (4,211,568)             |
| Budgeted transfers to reserves                                | (759,137)               |
| Proceeds of disposition                                       | (9,200)                 |
| Dev Surety contributions                                      | (53,770)                |
| Contributions from other governments                          | <u>(100,000)</u>        |
| <br>Budgeted capital surplus                                  | <br><u>\$ 9,475,288</u> |
| <br>Budgeted combined surplus per statement of operations     | <br><u>\$ 8,434,556</u> |

**December 31, 2020**

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## **22. 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, 2020**

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**23. 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, 2020**

**22. Segmented Information (continued)**

| <b>For the year ended<br/>December 31</b>  | <b>Protective<br/>Services</b> | <b>Waste<br/>Management</b> | <b>Transportation<br/>Services</b> | <b>Water and<br/>Wastewater</b> | <b>Planning and<br/>Development</b> | <b>Parks and<br/>Recreation</b> | <b>Public Health<br/>and Welfare</b> | <b>General<br/>Government</b> | <b>2020<br/>Total</b> |
|--|--------------------------------|-----------------------------|------------------------------------|---------------------------------|-------------------------------------|---------------------------------|--------------------------------------|-------------------------------|-----------------------|
| <b>Revenue</b>                             |                                |                             |                                    |                                 |                                     |                                 |                                      |                               |                       |
| Taxation                                   | \$ -                           | \$ -                        | \$ -                               | \$ -                            | \$ -                                | \$ -                            | \$ -                                 | 3,430,993                     | \$ 3,430,993          |
| Government transfers for operating         | -                              | 4,394                       | 47,367                             | 13,473                          | 42,516                              | 234,729                         | -                                    | 281,553                       | 624,032               |
| Government transfers for capital           | 145,106                        | -                           | 1,860,361                          | 6,926,524                       | -                                   | 200,000                         | -                                    | -                             | 9,131,991             |
| Sales and user fees                        | 73,188                         | 662,512                     | 133,961                            | 2,598,831                       | 35,354                              | 159,202                         | 24,100                               | 25,192                        | 3,712,340             |
| Franchises and concessions                 | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 298,298                       | 298,298               |
| Investment income                          | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 234,525                       | 234,525               |
| Fines and costs                            | 6,610                          | -                           | -                                  | -                               | -                                   | -                               | -                                    | 31,318                        | 37,928                |
| Rental revenue                             | 1,875                          | -                           | 4,500                              | 1,026                           | -                                   | 87,516                          | -                                    | 10,802                        | 105,719               |
| Other                                      | 6,430                          | -                           | 91,603                             | -                               | -                                   | 20,620                          | -                                    | 6,015                         | 124,668               |
| Gain (loss) on disposal of assets          | 3,855                          | -                           | -                                  | -                               | 1,734                               | -                               | -                                    | -                             | 5,589                 |
|  | <u>237,064</u>                 | <u>666,906</u>              | <u>2,137,792</u>                   | <u>9,539,854</u>                | <u>79,604</u>                       | <u>702,067</u>                  | <u>24,100</u>                        | <u>4,318,696</u>              | <u>17,706,083</u>     |
| <b>Expenses</b>                            |                                |                             |                                    |                                 |                                     |                                 |                                      |                               |                       |
| Salaries and wages                         | 103,490                        | 266,254                     | 355,160                            | 523,605                         | 78,110                              | 664,522                         | -                                    | 829,649                       | 2,820,790             |
| Contracted and general services            | 37,129                         | 96,255                      | 404,452                            | 278,184                         | 37,626                              | 193,535                         | 781                                  | 333,248                       | 1,381,210             |
| Materials, goods and utilities             | 93,144                         | 61,598                      | 502,084                            | 404,287                         | 152,389                             | 414,202                         | 2,763                                | 122,320                       | 1,752,787             |
| Transfer to local agencies                 | 1,000                          | -                           | -                                  | -                               | 14,744                              | 112,341                         | 30,863                               | -                             | 158,948               |
| Transfers to individuals and organizations | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 40,232                        | 40,232                |
| Bank charges and short-term interests      | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 44,388                        | 44,388                |
| Interest on long-term debt                 | -                              | 981                         | 1,243                              | 179,894                         | 243                                 | 35,799                          | -                                    | -                             | 218,160               |
| Amortization                               | 99,367                         | 91,994                      | 537,887                            | 670,762                         | 2,814                               | 386,567                         | 4,035                                | 80,844                        | 1,874,270             |
| Other                                      | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 104,496                       | 104,496               |
|  | <u>334,130</u>                 | <u>517,082</u>              | <u>1,800,826</u>                   | <u>2,056,732</u>                | <u>285,926</u>                      | <u>1,806,966</u>                | <u>38,442</u>                        | <u>1,555,177</u>              | <u>8,395,281</u>      |
| <b>Net surplus (deficit)</b>               | <b>\$ (97,066)</b>             | <b>\$ 149,824</b>           | <b>\$ 336,966</b>                  | <b>\$ 7,483,122</b>             | <b>\$ (206,322)</b>                 | <b>\$ (1,104,899)</b>           | <b>\$ (14,342)</b>                   | <b>\$ 2,763,519</b>           | <b>\$ 9,310,802</b>   |



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

**December 31, 2020**

**22. Segmented Information (continued)**

| <b>For the year ended<br/>December 31</b>  | <b>Protective<br/>Services</b> | <b>Waste<br/>Management</b> | <b>Transportation<br/>Services</b> | <b>Water and<br/>Wastewater</b> | <b>Planning and<br/>Development</b> | <b>Parks and<br/>Recreation</b> | <b>Public Health<br/>and Welfare</b> | <b>General<br/>Government</b> | <b>2019<br/>Total</b> |
|--|--------------------------------|-----------------------------|------------------------------------|---------------------------------|-------------------------------------|---------------------------------|--------------------------------------|-------------------------------|-----------------------|
| <b>Revenue</b>                             |                                |                             |                                    |                                 |                                     |                                 |                                      |                               |                       |
| Taxation                                   | \$ -                           | \$ -                        | \$ -                               | \$ -                            | \$ -                                | \$ -                            | \$ -                                 | \$ 3,699,791                  | \$ 3,699,791          |
| Government transfers for operating         | -                              | -                           | 25,000                             | -                               | -                                   | 6,300                           | -                                    | 288,639                       | 319,939               |
| Government transfers for capital           | 57,963                         | 121,107                     | -                                  | 1,601,360                       | -                                   | -                               | -                                    | -                             | 1,780,430             |
| Sales and user fees                        | 83,744                         | 603,718                     | 103,077                            | 2,652,752                       | 136,708                             | 307,830                         | 13,625                               | 25,234                        | 3,926,688             |
| Franchises and concessions                 | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 302,370                       | 302,370               |
| Investment income                          | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | 171,085                       | 171,085               |
| Fines and costs                            | 10,027                         | -                           | -                                  | -                               | -                                   | -                               | -                                    | 32,689                        | 42,716                |
| Rentals                                    | 2,822                          | -                           | 9,570                              | 1,011                           | -                                   | 130,337                         | -                                    | 14,226                        | 157,966               |
| Other                                      | 3,981                          | -                           | -                                  | -                               | 2,700                               | 21,183                          | -                                    | 182,109                       | 209,973               |
| Gain (loss) on sale of assets              | (1,052)                        | -                           | (1,320)                            | (3,851)                         | -                                   | 2,049                           | -                                    | 194                           | (3,980)               |
|  | <u>157,485</u>                 | <u>724,825</u>              | <u>136,327</u>                     | <u>4,251,272</u>                | <u>139,408</u>                      | <u>467,699</u>                  | <u>13,625</u>                        | <u>4,716,337</u>              | <u>10,606,978</u>     |
| <b>Expenses</b>                            |                                |                             |                                    |                                 |                                     |                                 |                                      |                               |                       |
| Salaries and wages                         | 60,952                         | 292,819                     | 374,807                            | 436,635                         | 174,175                             | 683,762                         | 10,032                               | 1,006,099                     | 3,039,281             |
| Contracted and general services            | 31,749                         | 71,959                      | 152,103                            | 350,737                         | 175,941                             | 292,865                         | 2,411                                | 377,908                       | 1,455,673             |
| Materials, goods and utilities             | 62,162                         | 57,174                      | 408,675                            | 186,612                         | 83,668                              | 480,557                         | 1,660                                | 195,054                       | 1,475,562             |
| Transfer to local agencies                 | 1,000                          | -                           | -                                  | -                               | 6,000                               | 124,355                         | 30,437                               | 22,400                        | 184,192               |
| Transfers to individuals and organizations | -                              | -                           | -                                  | -                               | 7,500                               | 25,300                          | -                                    | 36,643                        | 69,443                |
| Bank charges and short-term interest       | -                              | -                           | -                                  | -                               | -                                   | 1,137                           | -                                    | 25,143                        | 26,280                |
| Interest on long-term debt                 | -                              | 2,637                       | 2,020                              | 33,578                          | 1,852                               | 39,357                          | -                                    | -                             | 79,444                |
| Amortization                               | 101,339                        | 91,669                      | 552,649                            | 669,782                         | 2,814                               | 413,230                         | 4,010                                | 82,709                        | 1,918,202             |
| Other                                      | -                              | -                           | -                                  | -                               | -                                   | -                               | -                                    | -                             | -                     |
|  | <u>257,202</u>                 | <u>516,258</u>              | <u>1,490,254</u>                   | <u>1,677,344</u>                | <u>451,950</u>                      | <u>2,060,563</u>                | <u>48,550</u>                        | <u>1,745,956</u>              | <u>8,248,077</u>      |
| <b>Net surplus (deficit)</b>               | <b>\$ (99,717)</b>             | <b>\$ 208,567</b>           | <b>\$ (1,353,927)</b>              | <b>\$ 2,573,928</b>             | <b>\$ (312,542)</b>                 | <b>\$ (1,592,864)</b>           | <b>\$ (34,925)</b>                   | <b>\$ 2,970,381</b>           | <b>\$ 2,358,901</b>   |

**December 31, 2020**

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**23. Comparative Figures**

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

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**24. Uncertainty due to COVID-19**

In March 2020, the impact of COVID-19 in Canada and on the global economy increased significantly.

If the impacts of COVID-19 continue there could be further impact on the Municipality and its major customers, suppliers and other third party business associates that could impact the timing and amounts realized on the Municipality's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.

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**25. Approval of Financial Statements**

Council and Management approved these financial statements.

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