

CITY OF MEDICINE HAT

2023 FINANCIAL REPORT

For the Year Ended December 31, 2023
Medicine Hat, Alberta, Canada

City of Medicine Hat, Alberta, Canada

2023 FINANCIAL REPORT

For the year ended December 31, 2023

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



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

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City Council



Back row: Shila Sharps, Darren Hirsch, Cassi Hider, Robert Dumanowski

Front row: Andy McGrogan, Ramona Robins, Linnsie Clark, Alison Van Dyke, Allison Knodel

STANDING COMMITTEES

Administrative & Legislative Review Committee

Councillor A. McGrogan, Chair
Councillor A. Knodel, Vice Chair
Councillor R. Dumanowski

Audit Committee

Councillor D. Hirsch, Chair
Councillor S. Sharps, Vice Chair
Councillor A. Van Dyke
D. Egert, Corporate Services Managing Director & CFO, Advisor

Corporate Services Committee

Councillor R. Dumanowski, Chair
Councillor C. Hider, Vice Chair
Councillor A. Knodel

Development & Infrastructure Committee

Councillor S. Sharps, Chair
Councillor A. McGrogan, Vice Chair
Councillor A. Van Dyke

Emergency Advisory Committee

Mayor L. Clark
Councillor R. Robins
Councillor D. Hirsch

Energy, Land & Environment Committee

Councillor D. Hirsch, Chair
Councillor A. Van Dyke, Vice Chair
Councillor S. Sharps

Public Services Committee

Councillor R. Robins, Chair
Councillor R. Dumanowski, Vice Chair
Councillor C. Hider

Administrative Committee

L. Clark, Mayor
A. Mitchell, City Manager, Chair
B. Stauth, Public Services Managing Director
D. Egert, Corporate Services Managing Director & CFO
P. Bohan, Development & Infrastructure Managing Director
R. Pancoast, Energy, Land and Environment Managing Director
B. Bullock, City Solicitor
L. Randle, City Clerk

SPECIAL COMMITTEES

Chamber of Commerce: Councillor S. Sharps

Civic Functions: Councillor A. Knodel

Community Futures Entre-Corp: Mayor L. Clark

Cypress View Foundation: Mayor L. Clark & Councillor R. Robins

Friends of Medalta Society: Councillor A. Knodel

Highway #3 Twinning Association: Councillor D. Hirsch

Intermunicipal Committee: Mayor L. Clark & Councillor S. Sharps

Medicine Hat Community Housing Society: Mayor L. Clark

Medicine Hat Exhibition & Stampede: Councillor A. McGrogan

Medicine Hat Public Library: Councillor R. Robins

Municipal Names Committee: Councillor C. Hider

Municipal Planning Commission: Councillors A. McGrogan & S. Sharps

Palliser Economic Partnership: Mayor L. Clark & Councillors C. Hider

Police Commission: Councillors D. Hirsch & R. Dumanowski

Physician Attraction & Retention: Councillors A. Van Dyke & S. Sharps

Regional Drainage: Councillor A. Van Dyke

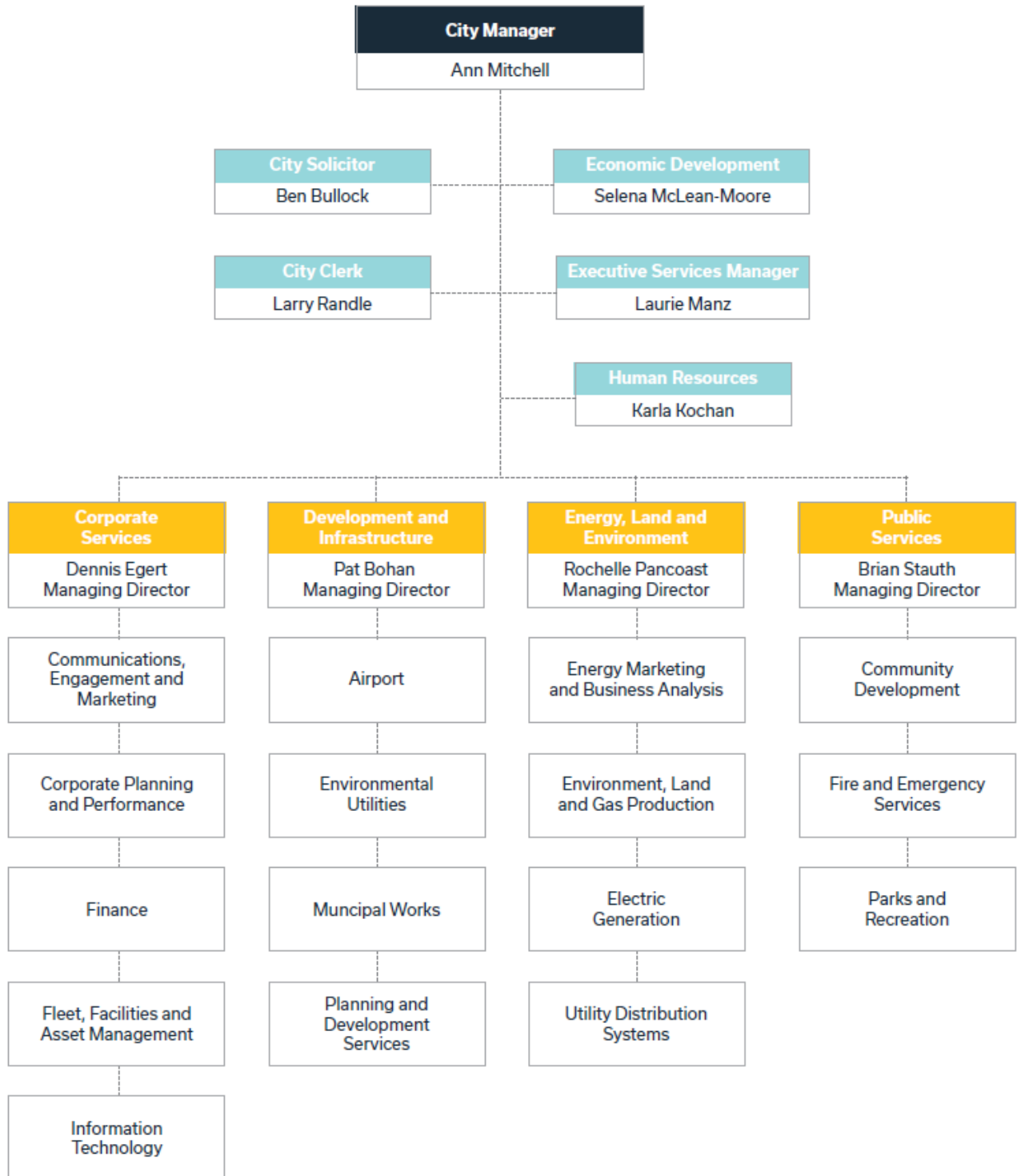
Shortgrass Library System: Councillor A. Van Dyke

Subdivision & Devel. Appeal Board: Councillors C. Hider & S. Sharps (Alternative)

Tourism Medicine Hat: Councillor C. Hider

Organizational Structure

As at December 31, 2023



CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

INTRODUCTION

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2023. MNP LLP has audited these financial statements and provided an unqualified audit opinion in their report dated April 22, 2024.

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

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

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

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

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

The purpose of the financial report is to present readers with clear insight on the financial results for the City for the fiscal year ended December 31, 2023. City administration strives to ensure that this report presents fairly the financial position of this City. The report compares how financial resources were used compared to budgets and past financial performance, and is divided into seven sections:

- **Introduction** – Provides an overview of the Chief Financial Officer's Report.
- **Canadian GFOA Award for Financial Reporting** - Recognition of high-quality financial reports.
- **Risk Management** - Discussion of risks and risk management strategies.
- **Management Reporting and Control** - Provides an explanation of the planning, budgeting, accounting, auditing and reporting process.
- **Financial Highlights** - Presents a review of the City of Medicine Hat's activities and financial position for the fiscal year ended December 31, 2023. The analysis is supplementary information to the financial statements and therefore, should be read in conjunction with the consolidated financial statements, accompanying notes and supporting schedules.
- **Financial Statements** - Presents the consolidated financial statements, supporting statements, notes and schedules. These statements and schedules contain current year results with prior year comparatives as well as the approved budget for the operating and capital accounts.



A handwritten signature in black ink, appearing to be 'Dennis Egert', written over a light blue background.

Dennis Egert
Managing Director of Corporate
Services/Chief Financial Officer
April 22, 2024

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

CANADIAN GFOA AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2022, for the 21st year in a row. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high-quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

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

RISK MANAGEMENT

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

(a) Enterprise Risk Management

In 2021 the City engaged a consultant to support the development and implementation of an Enterprise Risk Management (ERM) framework. The ERM framework is the guiding document that defines the methodology, process and the related roles and responsibilities. It will support strong and well-informed governance decision making and ensure that enterprise risks and opportunities are identified, assessed and managed to an acceptable level. The implementation is progressing resulting in a framework, a risk register, and an approved risk action plan which will be incorporated into the strategic planning process.

(b) Operational Risk Management

As a result of continued insurance premium rate increases over the past few years, the City undertook a third-party review of its insurance program that included recommendations to self-insure certain components of the City's insurance program to reduce overall premium costs while remaining within the City's risk tolerance. The insurance program continues to provide insurance coverage for the majority of the City's major losses that involve third-party property damage or bodily injury and/or damage to City property (buildings/equipment/vehicles), contributing to long-term sustainability of City assets. To accommodate self-insuring certain components of the insurance program, a dedicated insurance reserve was established (included within the operating reserve) to fund future, large insurance claims.

(c) Public Safety

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

Fire and Emergency Services provides life and property protection to the community through rapid response to fire or rescue emergency, and natural or man-made disasters. They provide community inspections, education and safety programs and preplanning for disasters and emergencies. Fire and Emergency Services monitors growth patterns and recommends changes and improvements that will provide efficient and effective protection to meet City Council's established response guidelines to all areas of the city. The Fire Service Response Coverage Optimization Plan was implemented in 2013 and resulted in significant response coverage improvements to residents and improved safety for firefighters.

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

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

(d) Treasury Management

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

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

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy #0167. Included in investments are internally managed portfolios of investments in money market and fixed income securities. The City also has external investment portfolios managed by third-party investment managers including Addenda Capital, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management, Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management, Mesirow Financial Investment Management, and Phillips, Hager & North Institutional. These funds are invested across the following asset classes: Canadian & global fixed income and equities, infrastructure, real estate, commercial mortgages, private credit, and currency. These funds are invested in assets permitted by the Major Cities Investment Regulation.

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

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

(d) Environmental

The Environmental, Land & Gas Production department provides corporate support and ensures regulatory compliance with regard to environmental matters. The department completes the regulatory activities, supports the operating departments in completing their due diligence with respect to environmental activities, and provides current information on evolving and emerging environmental regulatory requirements. One of the goals is to keep City Council informed of the City's progress in striving for continual improvement in management systems and communication focusing on both compliance and proactive excellence in matters of environmental stewardship.

(e) Market Commodity Prices

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

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

MANAGEMENT REPORTING AND CONTROL

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

Strategic Planning and Budgeting

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

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



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

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

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

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

For the 2023-2024 budget period, the City employed a capital ranking process for all departments. This process is intended to ensure that available capital funding is allocated to the projects that will provide the highest value and benefit to the municipality.

(a) Accounting

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

(b) Auditing

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

CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

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

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

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

FINANCIAL HIGHLIGHTS

Financial Trend Summary 2023

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

In 2023 the City experienced higher than expected annual surplus despite the external pressures stemming from continued inflationary pressures, lingering impacts from COVID-19, the Government of Alberta reduction in municipal funding and market volatility impacting commodity prices and investment returns. The higher surplus is primarily due to increased revenues as a result of higher electric commodity prices; increased investment income due to higher returns and additional grants received primarily related to the electricity and natural gas rebate program.

In 2023 the City's municipal budget anticipated an \$11 million gap which was funded through financial reserves to achieve a balanced budget. The 2023 actual municipal deficit was \$15.1 million, which required an additional transfer of \$3.6 million from reserves to fully fund the deficit. The City continues to focus its efforts on identifying strategic opportunities including revenue growth, cost containment, service level clarity and related adjustments, and leveraging technology and digital innovation to reduce its reliance on the financial reserves to achieve a balanced budget.

As a result of the declining gas and oil commodity prices over the past few years, the City decided to accelerate the abandonment and reclamation of its uneconomic oil and gas properties. The budgeted cost of the program is expected to be \$125 million to be financed through a combination of working capital (\$45 million) and debenture borrowing (\$80 million). As of year-end 2023 the accelerated abandonment program is virtually complete with almost 1,900 wells fully abandoned and under reclamation. Technical and logistical issues continue to be examined for the remaining wells in the program and abandonment will occur as these issues are resolved. The program ensures the City is fostering the wellbeing of the environment by safely meeting end of life obligations for its energy development activities.

The Public Sector Accounting Standards (PSAS) is silent on the treatment of resource properties. In order to better reflect the operations of oil and gas properties and to provide more financial transparency, the City uses International Financial Reporting Standards (IFRS) to account for its oil and gas assets.

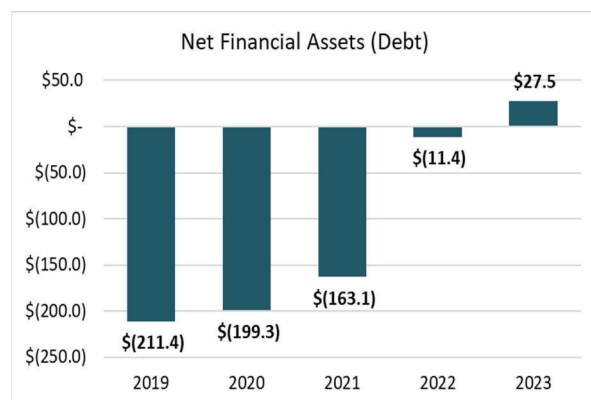
CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

Financial Summary

In 2023 financial assets increased at a higher rate than financial liabilities resulting in a significant decrease in net financial debt of \$38.9 million from 2022. The increase in assets was due to an increase in financial investments as a result of higher contributions from our integrated commodity business and investment returns. Liability decreases were a result of a decrease in accounts payable and deferred revenue as well as long-term debt. Net financial debt has seen a decrease over the past 5 years primarily due to increased financial investments.

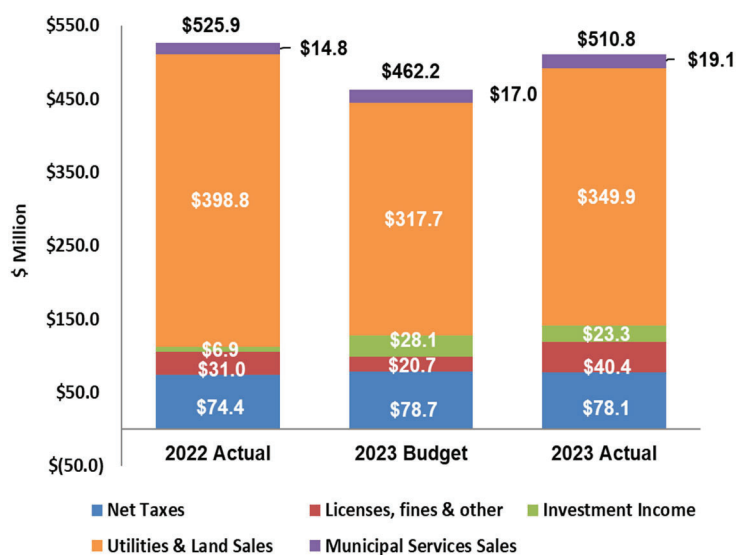
<i>In thousands of dollars</i>		
Consolidated Financial Position	2023	2022
Assets	\$ 800,350	\$ 792,497
Liabilities	772,818	803,907
Net financial assets (debt)	27,532	(11,410)
Non-financial assets	39,890	35,825
Long-lived assets	42,112	7,355
Net tangible capital assets	1,393,337	1,422,663
Total non-financial assets	1,475,339	1,465,843
Accumulated surplus	\$1,502,871	\$1,454,433



<i>In thousands of dollars</i>		
Consolidated Operating Results	2023	2022
Revenue	\$ 510,837	\$ 525,935
Expenses	473,429	391,509
Subtotal	37,408	134,426
Other revenue	25,560	26,698
Annual Surplus	\$ 62,968	\$ 161,124

The 2023 annual surplus was \$63 million primarily due to higher electric commodity prices. Other revenue represents capital contributions and grant funding used for various capital projects such as: transition to clean energy; building rehabilitations; pedestrian trails and bridge rehabilitation; and sidewalk, roads and storm sewer rehabilitation.

Revenues



Revenue before capital contributions and grants was \$48.6 million higher than budget (\$510.8 million versus budget of \$462.2 million). This is mainly due to Utilities and Land Sales revenues being higher than budget by \$32.2 million as a result of higher electric revenues of \$51.5 million related to higher commodity prices. This is offset by lower land sales of \$3.1 million primarily due to lower lot sales. Investment income was lower than budget by \$4.8 million as a result of the markets continuing to recover from the 2022 economic downturn.

Revenues in 2023 are lower than 2022 revenues by \$15.1 million primarily due to easing gas and electric commodity prices offset by higher investment income.

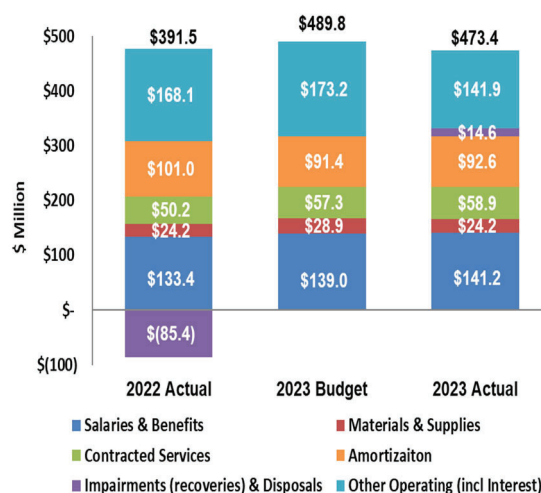
CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

Expenses

The Consolidated Schedule of Expenses by Object details 2023 actual (\$473.4 million) and budget (\$489.8 million) by expense type. Variances from budget for salaries and benefits is primarily related to union contracts being settled at higher than budget. Materials and supplies are less than budget due to purchasing less electricity from the power purchase agreement. Operating expense are less than budget primarily due to less natural gas purchases as a result of lower gas commodity prices.

The 2023 actual expenses are higher than 2022 primarily due to recognizing a \$14.6 million impairment on oil and gas properties whereas 2022 recognized an \$85.4 million recovery; higher salaries and benefits due to union contract settlements; and additional staff to maintain current service levels. This is somewhat offset by lower other operating expenses related to lower gas purchases as a result of lower gas commodity prices.

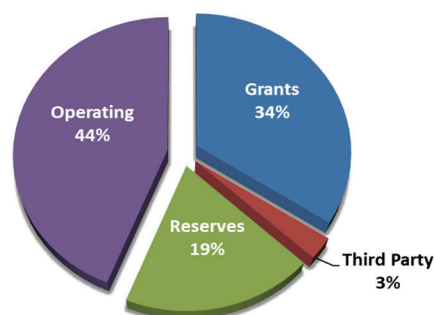


Capital Expenditures

The City's approved 2023 budget for capital items was \$125.5 million. Actual capital expenditures for the year were \$73.3 million plus contributions from developers of \$0.6 million. The current year expenditures also include \$42 million for projects carried forward from previous budget years.

The 2023 capital expenditures were funded by grants received from the Province of Alberta and the Federal Government of Canada, as well as financial reserves, operating funds, and third-party contributions.

Capital Funding Sources

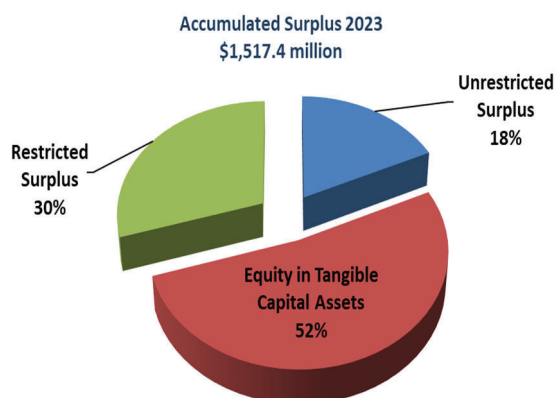


Accumulated Surplus

The accumulated surplus on the Consolidated Statement of Operations represents the total change in all fund and equity balances for the City of Medicine Hat. During 2023, the consolidated fund and equity balances increased by \$63 million to \$1,517.4 million.

\$274 million of the accumulated surplus is unrestricted. This unrestricted amount is used as working capital to fund day to day operating activities of the City as well as asset retirement obligations. The restricted amount is \$452.2 million and is largely dedicated to capital activities of the organization.

Equity in the City's tangible capital assets decreased by \$212.9 million to \$791.2 million this year primarily as a result of the recognition of asset retirement obligations as per the new public sector accounting standards.

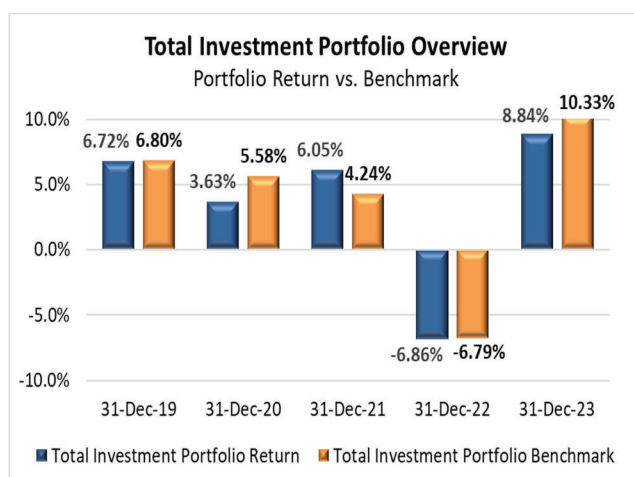
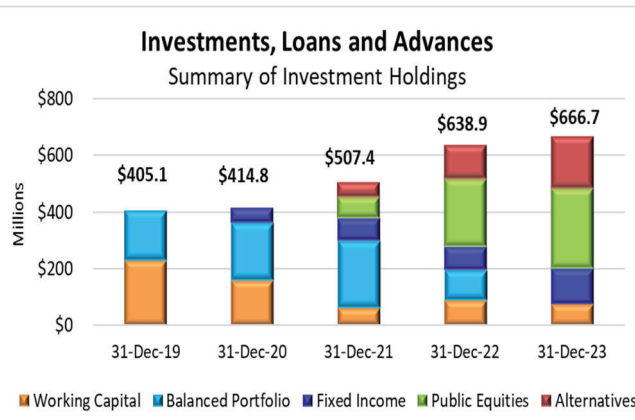


CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

Investments

Investments, loans and advances increased \$27.7 million from 2022 to \$666.7 million largely due to higher contributions from our integrated commodity business.



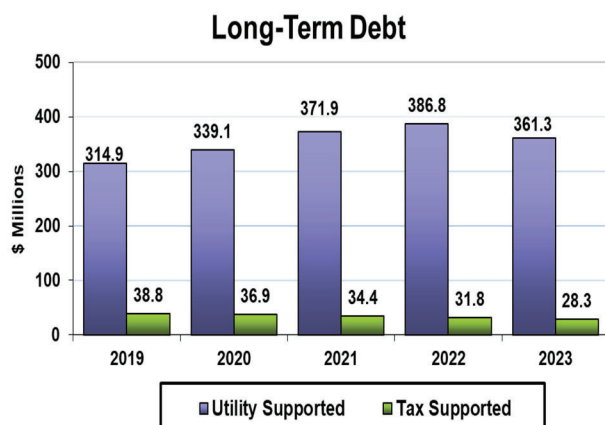
The City of Medicine Hat generated a total investment portfolio return of 8.84% for the year ended December 31, 2023, which is below the corresponding benchmark of 10.33%. The returns have seen an increase in 2023 as the markets continue to recover from the economic downturn.

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

Long-Term Debt

During 2023, total long-term debt decreased \$28.9 million to \$389.6 million as a result of debt principal repayments of \$28.9 million. No new debt was issued in 2023.

The Minister of Municipal Affairs has prescribed limits for total debt and debt servicing for municipalities in the province. The debt limit is defined as two times revenue, net of government transfers, and debt servicing is limited to 35% of revenue, net of capital government transfers. For the purpose of these calculations, actual total debt includes long-term debt as well as loan guarantees in the amount of \$1.1 million, credit card debt of \$0.7 million, and letters of credit issued of \$45.4 million.



The City's 2023 debt limits are as follows:

(in millions of dollars)		2023
Debt Limit		\$ 1,021.7
Actual Total Debt		436.8 43%
AMOUNT UNDER LIMIT		\$ 584.9
Debt Servicing Limit		\$ 178.8
Actual Debt Servicing		42.1 24%
AMOUNT UNDER LIMIT		\$ 136.7

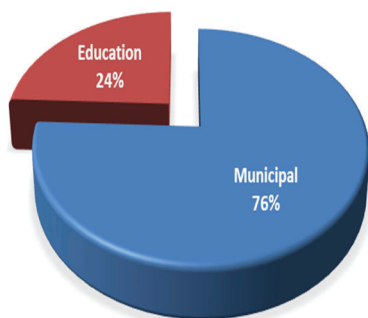
CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

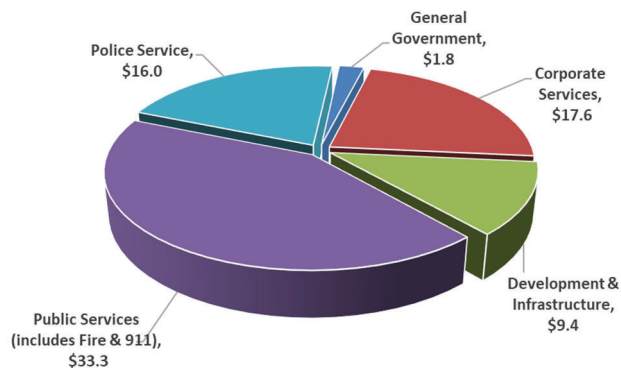
Use of Municipal Tax Revenue

Net municipal property tax revenue of \$78.1 million is used to fund the consolidated general fund operating expenses of \$227.3 million. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.

Where our municipal property tax dollars went in 2023.



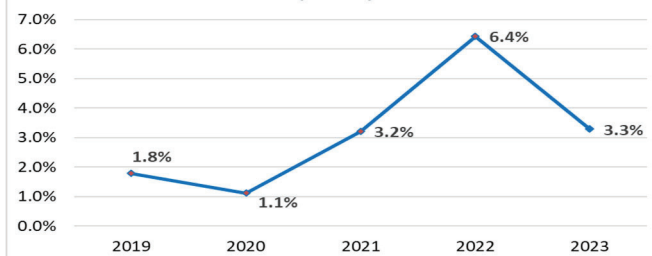
Use of Municipal Tax Revenue (Millions)



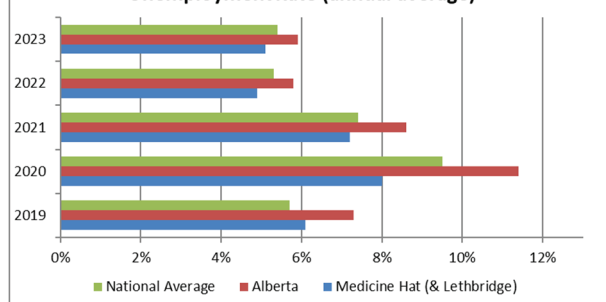
Economic Indicators

Alberta Consumer Price Index (CPI) saw an increase in 2021 and 2022 with a decline in 2023 as the economy started to recover from the past two years.

Alberta Consumer Price Index (CPI)
(all items)



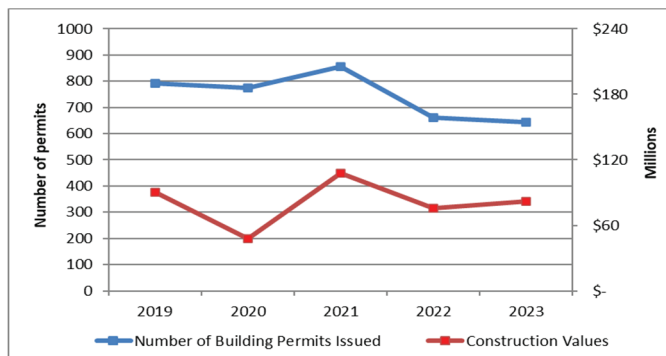
Unemployment Rate (annual average)



The combined unemployment rate for the Medicine Hat and Lethbridge region at the end of 2023 was 5.3%, while the 2023 average was 5.1%. The average Alberta unemployment rate for 2022 was 5.9% compared to 5.4% for Canada. These remained consistent with 2022 as the economy continues to recover from the COVID-19 pandemic.

Number of Building Permits Issued and Related Construction Values

In 2023, the number of building permits issued decreased to 643 primarily due to a decrease in new development. The related estimated value of construction in 2023 saw an increase from prior year to \$82 million due to higher construction values.

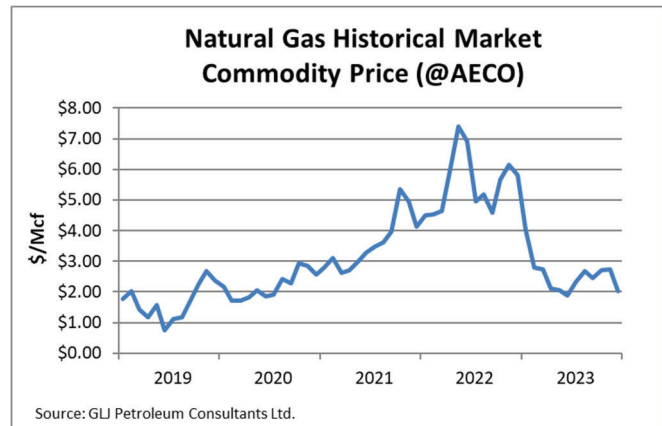


CHIEF FINANCIAL OFFICER'S REPORT

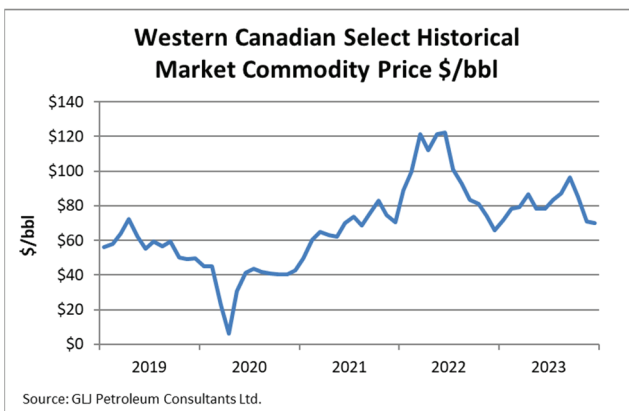
FOR THE YEAR ENDED DECEMBER 31, 2023

Gas

Natural gas prices have started to show signs of trending back to \$2.00/GJ levels with 2023 settling at \$2.53/GJ. Storage levels are at the high end of the five-year average due to supply currently outpacing demand. There is limited new demand available to offset the new supply in the market. This trend is expected to continue for 2024, or until the LNG Canada facility comes online creating new demand and export market aside from Eastern Canada and United States.



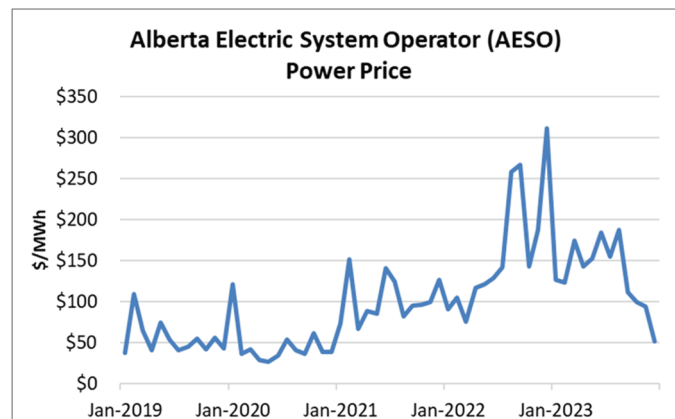
Oil



Oil prices declined to below the levels before the Russian/Ukrainian conflict. However, Russia is still able to supply the market and the market is in balance for supply and demand which has resulted in less volatility. If OPEC volume cuts were cancelled the market could see over supply and pricing could weaken. City of Medicine Hat has limited oil exposure currently as there are only two remaining oil wells in service as the Manyberries field is currently in the abandonment and reclamation stage.

Power

Power prices in 2023 stabilized and trended back to historic levels towards the end of the year. System Marginal Price (SMP) ended 2023 at \$133.63/MWh, Economic withholding early in the year had contributed to the higher pool prices. The projected forward curve price is expected to be lower due to increased supply from the new Cascade Energy Facility coming into full production in Q2 2024. This, however, could be somewhat offset by lower hydro electric supply as a result of lower than normal water reservoir levels and potential retirement of higher cost/low efficiency assets.



Financial Statements and Notes

Government Finance Officers Association Awards

The City of Medicine Hat has provided award winning financial reporting for the past 21 years.

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

GFOA also provides a Distinguished Budget Presentation Award to municipalities that prepare high-quality budget documents and strive to improve budget transparency in their community. To earn recognition, budget documents must meet program criteria and excel as a policy document, financial plan, operations guide, and communication tool. The City of Medicine Hat received the Distinguished Budget Presentation Award for its two-year budget cycle (2023-2024).



Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

**City of Medicine Hat
Alberta**

For its Annual
Financial Report
for the Year Ended

December 31, 2022

Christopher P. Morrell

Executive Director/CEO



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

**City of Medicine Hat
Alberta**

For the Biennium Beginning
January 01, 2023

Christopher P. Morrell

Executive Director

Management's Responsibility for Reporting

For the Year Ended December 31, 2023

The City of Medicine Hat's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying consolidated financial statements and the notes thereto. Management believes that the consolidated financial statements present fairly the City's financial position as at December 31, 2023 and the results of its operations for the year then ended.

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

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

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

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



City Manager

April 22, 2024



Chief Financial Officer

To the Members of Council of City of Medicine Hat:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of City of Medicine Hat (the "City"), which comprise the statement of financial position as at December 31, 2023, and the consolidated statements of operations, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and notes and schedules to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2023, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statement for the year ended December 31, 2022 was audited by another auditor who expressed an unmodified opinion on those statements on April 17, 2023.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is included within the 2023 Financial Report information.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation:

In accordance with Alberta Regulation 255/2000, we confirm that the City is in compliance with the Debt Limit Regulation. A detailed account of the City's debt limit can be found in Note 11.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta Regulation 313/2000, we confirm that the City is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 17.

Medicine Hat, Alberta

April 22, 2024

MNP LLP

Chartered Professional Accountants

CONSOLIDATED

Statement of Financial Position

As at December 31, 2023 (in thousands of dollars)

	2023	2022
Financial assets		
Cash and cash equivalents (Note 2)	\$ 66,386	\$ 44,188
Accounts receivable, net of allowances (Note 3)	51,796	97,523
Investments, loans and advances (Note 4)	666,659	638,946
Land held for resale (Note 5)	10,333	10,523
Inventories for resale (Note 6)	144	151
Deposits (Note 7)	5,032	1,166
Total financial assets	800,350	792,497
Liabilities		
Trade accounts payable	30,480	55,598
Accrued liabilities (Note 8)	21,300	26,417
Deferred revenue (Note 9)	45,048	58,468
Long-term debt (Note 11)	389,654	418,581
Asset retirement obligation (Note 12)	254,568	217,086
Other long-term liabilities (Note 13)	31,768	27,757
Total liabilities	772,818	803,907
Net financial assets (debt)	27,532	(11,410)
Non-financial assets		
Inventories for consumption	18,633	15,620
Prepaid assets	3,697	2,917
Land held for future development (Note 14)	17,560	17,288
Long-lived assets (Schedule 1) (Note 15)	42,112	7,355
Tangible capital assets (Schedule 1) (Note 15)	1,393,337	1,422,663
Total non-financial assets	1,475,339	1,465,843
Total accumulated surplus	\$ 1,502,871	\$ 1,454,433
Accumulated surplus consists of the following:		
Accumulated surplus (Note 16)	1,517,401	1,454,433
Accumulated remeasurement gains (losses)	(14,530)	-
Total accumulated surplus	\$ 1,502,871	\$ 1,454,433
Commitments, operating and capital (Notes 20 and 22)		
Contingent asset and liabilities (Note 23)		
Contractual rights (Note 24)		

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

CONSOLIDATED

Statement of Operations

For the year ended December 31, 2023 (in thousands of dollars)

	2023 Budget	2023 ACTUAL	2022 ACTUAL
Revenue (Schedule 4)			
Municipal taxes (Schedule 2)	\$ 78,711	\$ 78,137	\$ 74,430
Sale of services			
General Government	16,952	19,117	14,812
Gas	44,009	27,618	46,549
Electric	211,324	262,830	292,563
Water	24,316	25,083	23,783
Sewer	22,997	23,397	23,005
Solid Waste	10,097	9,091	9,194
Land	4,941	1,891	3,701
Other income			
Investment income	28,094	23,332	6,954
Licenses, fines and penalties	5,927	4,464	5,313
Insurance recovery	123	129	336
Development levies	857	1,321	896
Government transfers for operating (Schedule 3)	6,251	12,947	16,643
Other	7,555	21,480	7,756
Total revenue	462,154	510,837	525,935
Expenses (Schedule 4 and Schedule 5)			
General Government	242,191	227,251	183,875
Gas	122,206	101,755	72,234
Electric	81,485	102,804	96,228
Water	17,829	17,722	16,394
Sewer	15,063	15,384	14,247
Solid Waste	6,511	7,084	5,196
Land	4,543	1,429	3,335
Total expenses	489,828	473,429	391,509
Excess (deficiency) of revenue over expenses			
- before other revenue	(27,674)	37,408	134,426
Other revenue (Schedule 4)			
Contributed tangible capital assets	-	625	133
Government transfers for capital (Schedule 3)	17,489	24,935	26,565
Total other revenue	17,489	25,560	26,698
Annual surplus	(10,185)	62,968	161,124
Accumulated surplus, beginning of year	1,454,433	1,454,433	1,293,309
Accumulated surplus, end of year	<u>\$ 1,444,248</u>	<u>\$ 1,517,401</u>	<u>\$ 1,454,433</u>

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

CONSOLIDATED

Statement of Change in Net Financial Assets (Debt)

For the year ended December 31, 2023 (in thousands of dollars)

	2023 Budget	2023	2022
Annual surplus	\$ (10,185)	\$ 62,968	\$ 161,124
Amortization of tangible capital assets	83,871	83,309	88,320
Amortization of long-lived asset	-	1,363	-
Impairments (recoveries)	-	13,941	(84,424)
Loss on disposal of tangible capital assets	-	699	1,454
Loss on disposal of long-lived assets	-	13	-
Developers contribution of tangible capital assets	-	(625)	(133)
Acquisition of tangible capital assets	(124,520)	(73,261)	(76,309)
Proceeds from sale of tangible capital assets	-	83	123
Decrease (increase) in long-lived assets	3,358	(30,953)	64,003
	(47,476)	57,537	154,158
Acquisition of inventories and supplies	(9,766)	(9,765)	(23,235)
Net acquisition (disposition) of land held for future development	(338)	(272)	(1,320)
Acquisition of prepaid assets	(14,272)	(14,273)	(10,792)
Consumption of inventories and supplies	6,752	6,752	21,932
Use of prepaid assets	13,493	13,493	10,978
Accumulated remeasurement gains (losses)	-	(14,530)	-
	(4,131)	(18,595)	(2,437)
Decrease (increase) in net financial debt	(51,607)	38,942	151,721
Net financial debt, beginning of year	(11,410)	(11,410)	(163,131)
Net financial assets (debt), end of year	\$ (63,017)	\$ 27,532	\$ (11,410)

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

CONSOLIDATED

Statement of Remeasurement Gains and Losses For the year ended December 31, 2023 (in thousands of dollars)

	2023 ACTUAL	2022 ACTUAL
Adjustment on adoption of the financial instruments standard	\$ (51,479)	\$ -
Unrealized gains (losses) attributable to:		
Foreign exchange	(1,759)	-
Short-term investments		
Investments	12,525	-
Long-term investments		
Designated fair value	(19)	-
Equity instruments	31,820	-
	42,567	
Realized (gains) losses, reclassified to the statement of operations:		
Foreign exchange	200	-
Short-term investments	(4,813)	-
Long-term investments	(1,005)	-
	(5,618)	-
Net change in remeasurement gains for the year	36,949	-
Accumulated remeasurement gains (losses), end of the year	\$ (14,530)	-

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

CONSOLIDATED

Statement of Cash Flows

For the year ended December 31, 2023 (in thousands of dollars)

	2023	2022
Net inflow (outflow) of cash related to the following activities:		
Operating		
Annual surplus	\$ 62,968	\$ 161,124
Non-cash items included in deficiency of revenues over expenses:		
Amortization of tangible capital assets	83,309	88,320
Amortization of long-lived asset	1,363	-
Impairments (recoveries)	13,941	(84,424)
Loss on disposal of tangible capital assets	699	1,454
Loss on disposal of long-lived assets	13	-
Developers contribution of tangible capital assets	(625)	(133)
Non-cash items relating to capital and investing activities:		
Unrealized gain (loss) on financial instruments	(14,530)	-
Non-cash changes to operations (net change):		
Decrease (increase) in accounts receivable	45,727	(18,972)
Decrease (increase) in land held for resale	190	(381)
Decrease (increase) in inventories for resale	7	(11)
Decrease (increase) in deposits	(3,866)	2,554
Increase (decrease) in trade accounts payable	(25,118)	18,763
Increase (decrease) in accrued liabilities	(5,117)	4,317
Decrease in deferred revenue	(13,420)	(3,030)
Increase (decrease) in asset retirement obligations	37,482	(61,056)
Increase in other long-term liabilities	4,011	1,087
Increase in inventories for consumption	(3,013)	(1,303)
Decrease (increase) in prepaid assets	(780)	185
Increase in land held for future development	(272)	(809)
Cash provided by operating transactions	182,969	107,685
Capital		
Acquisition of tangible capital assets	(73,261)	(76,309)
Proceeds from sale of tangible capital assets	83	123
Decrease (increase) in long-lived assets	(30,953)	64,003
Cash applied to capital transactions	(104,131)	(12,183)
Investing		
Decrease (increase) in investments, loans and advances	(27,713)	(131,584)
Cash applied to investing transactions	(27,713)	(131,584)
Financing		
Long-term debt issued and assumed	-	41,741
Long-term debt repaid	(28,927)	(29,475)
Cash provided by financing transactions	(28,927)	12,266
Change in cash and equivalents during the year	22,198	(23,816)
Cash and cash equivalents, beginning of year	44,188	68,004
Cash and cash equivalents, end of year	66,386	44,188

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

CONSOLIDATED
SCHEDULE OF TANGIBLE AND LONG-LIVED CAPITAL ASSETS
As at December 31, 2023 (in thousands of dollars)

	Land	Land Improvements	Buildings	Engineered Structures	Gas & Oil Properties	Machinery, Equipment & Furnishings	Vehicles	2023	2022
Cost:									
Balance, beginning of year	\$ 48,399	\$ 168,869	\$ 384,645	\$ 1,596,785	\$ 648,380	\$ 136,767	\$ 52,553	\$ 3,036,398	\$ 2,925,265
Adjustment relating to recognition of asset retirement obligations:									
Balance, beginning of year	-	-	-	-	112,327	-	-	112,327	-
Disposal of long-lived assets	-	-	-	-	(13)	-	-	(13)	-
Recovery of long-lived assets	-	-	-	-	5,180	-	-	5,180	-
Long-lived assets	-	-	4,128	8,043	18,782	-	-	30,953	-
Balance, beginning of year, as restated	48,399	168,869	388,773	1,604,828	784,656	136,767	52,553	3,184,844	2,925,265
Acquisition of tangible capital assets	49	5,988	11,046	37,414	1,576	3,097	1,635	60,805	117,271
Construction-in-progress	-	891	(1,229)	8,168	1,141	1,342	2,768	13,081	(40,829)
Disposal of tangible capital assets	-	(35)	(121)	(2,296)	-	(424)	(136)	(3,012)	(12,244)
Recoveries (impairment) of tangible capital assets	-	-	-	-	(19,121)	-	-	(19,121)	46,935
Balance, end of year	48,448	175,713	398,469	1,648,114	768,252	140,782	56,820	3,236,597	3,036,398
Accumulated amortization:									
Balance, beginning of year	-	75,936	128,997	725,680	574,076	77,422	31,624	1,613,735	1,536,082
Adjustment relating to recognition of asset retirement obligations:									
Balance, beginning of year	-	-	-	-	104,971	-	-	104,971	-
Asset retirement obligation	-	-	562	325	476	-	-	1,363	-
Balance, beginning of year, as restated	-	75,936	129,559	726,005	679,523	77,422	31,624	1,720,069	1,536,082
Annual amortization	-	7,786	10,306	47,630	3,692	9,997	3,898	83,309	88,320
Accumulated amortization on disposals	-	(33)	(44)	(1,695)	(1)	(321)	(136)	(2,230)	(10,667)
Balance, end of year	-	83,689	139,821	771,940	683,214	87,098	35,386	1,801,148	1,613,735
Net book value of tangible capital assets (Note 15)	\$ 48,448	\$ 92,024	\$ 258,648	\$ 876,174	\$ 85,038	\$ 53,684	\$ 21,434	\$ 1,435,449	\$ 1,422,663
2022 net book value of tangible capital assets (Note 15)	\$ 48,399	\$ 92,933	\$ 255,648	\$ 871,105	\$ 74,304	\$ 59,345	\$ 20,929	\$ 1,422,663	

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

CONSOLIDATED

Schedule 2

Schedule of Municipal Taxes For the year ended December 31, 2023 (in thousands of dollars)

	2023 Budget	2023	2022
Taxation			
Real property taxes	\$ 104,555	\$ 103,997	\$ 100,301
Linear property taxes	639	639	660
Special assessments and local improvement taxes	235	279	203
	105,429	104,915	101,164
Requisitions			
Alberta School Foundation	21,531	21,582	21,820
Catholic Board of Education	3,914	3,918	3,921
Cypress View Foundation	1,244	1,247	964
Designated Industrial Property	29	31	29
	26,718	26,778	26,734
Municipal taxes	\$ 78,711	\$ 78,137	\$ 74,430

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

CONSOLIDATED
Schedule of Government Transfers
For the year ending December 31, 2023
(In thousands of dollars)

Schedule 3

	2023			2022
	Provincial	Federal	Total	
Unconditional operating transfers				
Payment in Place of Taxes	\$ 877	\$ 86	963	\$ 734
Conditional operating				
Active Transportation Fund	-	32	32	-
Alberta Community Partnership (ACP)	3	-	3	(6)
Alberta Energy - Electricity & Natural Gas Rebate Program	6,463	-	6,463	9,666
Alberta Foundation of the Arts Travelling Exhibition Program	222	-	222	196
Alberta Health - SafeLink Alberta Society (Needle Debris Mitigation)	54	-	54	54
Alberta Labour Market Partnership Program (LMPP)	-	-	-	10
Alberta Museums Association	-	-	-	25
Alberta Relief for Shortfalls for Transit Operators (RESTOR)	-	-	-	628
All Hazards Incident Management Team (AHIMT)	80	-	80	15
Canada Council for the Arts	-	60	60	60
Canadian Council of Archives	-	10	10	-
Canadian Heritage Grant	-	197	197	574
Canadian Museums Association	-	8	8	20
Fair Entry - Low Income Transit Pass	269	-	269	-
Family and Community Support Services (FCSS)	1,653	-	1,653	1,599
Municipal Climate Change Action Centre – Climate Resilience Capacity Building Program	80	-	80	-
Municipal Policing Assistance	1,412	-	1,412	1,012
Municipal Sustainability Initiative Operating (MSIO)	419	-	419	710
Police Officer Grant	-	-	-	400
Settlement, Integration, and Language Program (SILP)	16	-	16	-
Victims of Crime Fund Grant	279	-	279	276
Western Economic Diversification Canada - Regional Air Transportation Initiative	-	39	39	-
911 Mobility Grant	688	-	688	670
	12,515	432	12,947	16,643
Conditional capital				
Airport Capital Assistance Program (ACAP)	-	447	447	428
Alberta Community Resilience Program (ACRP)	-	-	-	756
Canada Community-Building Fund (CCBF)	6,658	-	6,658	9,590
Canada Community Revitalization Fund (CRF)	-	-	-	750
Climate Change & Emissions Management Corp (CCEMC)	60	-	60	-
Enabling Accessibility Fund (EAF)	52	-	52	-
Environment & Parks - Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program	-	-	-	4,223
Innovation and Clean Growth in the Natural Resources Sectors - Energy Innovation Program (EIP NRCan)	-	559	559	-
Investing in Canada Infrastructure Program (ICIP)	-	359	359	1,373
Major Community Facilities Program (MCFP)	20	-	20	-
Municipal Climate Change Action Center (MCCAC)	8	-	8	281
Municipal Sustainability Initiative (MSI)	16,772	-	16,772	8,404
Municipal Stimulus Program (MSP)	-	-	-	760
	23,570	1,365	24,935	26,565
Total government transfers	\$ 36,085	\$ 1,797	\$ 37,882	\$ 43,208

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

Consolidated Schedule of Segmented Disclosures (Note 26)

Schedule 4

For the year ended December 31, 2023 (in thousands of dollars)

	Tax Supported	Reserve Fund	Gas Utility	Electric Utility	Water Utility	Sewer Utility	Solid Waste Utility	Land	Consolidation Adjustments	2023 Consolidated
Revenue										
Municipal taxes	\$ 83,322	\$ -	\$ -	\$ -	\$ 113	\$ 113	\$ -	\$ -	\$ (5,411)	\$ 78,137
Sales of services	19,117	-	72,330	269,459	25,551	23,849	10,241	1,891	(53,411)	369,027
Investment income	17,494	-	5,838	-	-	-	-	-	-	23,332
Licenses, fines and penalties	4,464	-	-	-	-	-	-	-	-	4,464
Insurance recovery	129	-	-	-	-	-	-	-	-	129
Development levies	503	-	182	636	-	-	-	-	-	1,321
Government transfers for operating	6,484	-	-	6,463	-	-	-	-	-	12,947
Other	7,519	-	1,327	8,957	68	26	1,423	812	1,348	21,480
Internal recoveries	26,054	-	32	1,850	1,196	8	2,575	905	(32,620)	-
Contribution from reserves	40,000	149,142	2,918	-	-	-	-	-	(192,060)	-
Transfer from Utilities and Land	3,150	-	-	-	-	-	-	-	(3,150)	-
	208,236	149,142	82,627	287,365	26,928	23,996	14,239	3,608	(285,304)	510,837
Expenses										
Salaries, wages and benefits	103,647	-	6,692	16,446	6,517	4,633	2,845	388	-	141,168
Contracted and general services	33,132	-	6,039	15,435	844	672	2,631	115	-	58,868
Materials, goods and utilities	7,955	-	614	11,268	1,979	1,692	129	2,118	(1,546)	24,209
Provisions for allowances	30	-	164	123	38	32	17	-	-	404
Bank charges and short term interest	245	-	101	3	-	-	5	43	-	397
Interest on long-term debt	980	-	1,104	4,620	3,138	3,138	34	-	-	13,014
Total grants and other transfers	4,703	-	-	-	-	-	-	-	-	4,703
Other operating expenses	35,030	-	60,229	28,190	20	-	-	-	-	123,469
Amortization of tangible capital assets	40,772	-	5,955	25,535	5,135	4,852	750	310	-	83,309
Amortization of long-lived asset	68	-	479	484	4	1	326	1	-	1,363
Impairments/ (recoveries)	-	-	13,941	-	-	-	-	-	-	13,941
Loss on disposal of tangible capital assets	213	-	111	13	12	348	2	-	-	699
Loss on disposal of long-lived assets	-	-	13	-	-	-	-	-	-	13
Gain on disposal of long-lived liabilities	-	-	(79)	-	-	-	-	-	-	(79)
Accretion on asset retirement obligations	476	-	6,392	687	35	16	345	-	-	7,951
Internal charges and transfers	8,650	-	7,005	57,153	5,920	4,473	5,126	699	(89,026)	-
Contribution to reserves	-	46,634	-	138,069	4,259	4,403	930	765	(195,060)	-
	235,901	46,634	108,760	298,026	27,901	24,260	13,140	4,439	(285,632)	473,429
Excess (deficiency) of revenue over expenses	\$ (27,665)	\$ 102,508	\$ (26,133)	\$ (10,661)	\$ (973)	\$ (264)	\$ 1,099	\$ (831)	\$ 328	\$ 37,408
Other										
Contributed assets	\$ 220	\$ -	\$ -	\$ -	\$ 405	\$ -	\$ -	\$ -	\$ -	\$ 625
Government transfers for capital	9,651	-	559	81	11,762	2,882	-	-	-	24,935
Total other	9,871	-	559	81	12,167	2,882	-	-	-	25,560
Annual surplus (deficit)	\$ (17,794)	\$ 102,508	\$ (25,574)	\$ (10,580)	\$ 11,194	\$ 2,618	\$ 1,099	\$ (831)	\$ 328	\$ 62,968

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

Consolidated Schedule of Segmented Disclosures (Note 26)

Schedule 4

For the year ended December 31, 2022 (in thousands of dollars)

	Tax Supported	Reserve Fund	Gas Utility	Electric Utility	Water Utility	Sewer Utility	Solid Waste Utility	Invest Medicine Hat	Consolidation Adjustments	2022 Consolidated
Revenue										
Municipal taxes	\$ 79,272	\$ -	\$ -	\$ -	\$ 54	\$ 113	\$ -	\$ -	\$ (5,009)	\$ 74,430
Sales of services	14,812	-	131,513	298,872	23,783	23,633	9,962	3,820	(92,788)	413,607
Investment income	4,589	-	2,365	-	-	-	-	-	-	6,954
Licenses, fines and penalties	5,313	-	-	-	-	-	-	-	-	5,313
Insurance recovery	333	-	-	-	3	-	-	-	-	336
Development levies	118	-	234	544	-	-	-	-	-	896
Government transfers for operating	6,977	-	-	9,666	-	-	-	-	-	16,643
Other	7,317	-	(1,022)	(3,648)	52	25	346	622	4,064	7,756
Internal recoveries	23,369	-	66	3,180	996	41	2,340	4,492	(34,484)	-
Contribution from reserves	23,000	110,286	1,721	-	496	-	-	-	(135,503)	-
Transfer from Utilities and Land	150	-	-	-	-	-	-	-	(150)	-
	165,250	110,286	134,877	308,614	25,384	23,812	12,648	8,934	(263,870)	525,935
Expenses										
Salaries, wages and benefits	94,784	-	7,253	17,216	6,030	4,564	2,785	780	-	133,412
Contracted and general services	29,940	-	5,302	10,161	721	667	2,586	780	-	50,157
Materials, goods and utilities	13,494	-	960	6,491	1,679	1,379	157	3,169	(3,083)	24,246
Provisions for allowances	4	-	937	(138)	(136)	(61)	44	-	-	650
Bank charges and short term interest	224	-	108	3	-	-	5	18	-	358
Interest on long-term debt	1,035	-	1,001	4,086	3,015	2,906	38	-	-	12,081
Total grants and other transfers	3,695	-	-	-	-	-	-	383	-	4,078
Other operating expenses	(348)	-	133,055	32,021	16	53	(1,175)	-	-	163,622
Amortization of tangible capital assets	40,220	-	10,972	26,354	5,017	4,693	755	309	-	88,320
Impairments/ (recoveries)	-	-	(84,935)	-	-	-	-	511	-	(84,424)
Loss on disposal of tangible capital assets	827	-	26	34	52	46	1	468	-	1,454
Gain on disposal of long-lived assets	-	-	(2,445)	-	-	-	-	-	-	(2,445)
Internal charges and transfers	11,510	-	4,951	96,145	6,497	3,933	3,847	1,207	(128,090)	-
Contribution to reserves	-	25,217	3,823	99,171	-	986	2,530	3,776	(135,503)	-
	195,385	25,217	81,008	291,544	22,891	19,166	11,573	11,401	(266,676)	391,509
Excess (deficiency) of revenue over expenses	\$ (30,135)	\$ 85,069	\$ 53,869	\$ 17,070	\$ 2,493	\$ 4,646	\$ 1,075	\$ (2,467)	\$ 2,806	\$ 134,426
Other										
Contributed assets	\$ 133	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 133
Government transfers for capital	13,979	-	-	4,223	3,035	4,578	-	750	-	26,565
Total other	14,112	-	-	4,223	3,035	4,578	-	750	-	26,698
Annual surplus (deficit)	\$ (16,023)	\$ 85,069	\$ 53,869	\$ 21,293	\$ 5,528	\$ 9,224	\$ 1,075	\$ (1,717)	\$ 2,806	\$ 161,124

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

CONSOLIDATED**Schedule 5**

Schedule of Expenses By Object
For the year ended December 31, 2023
(in thousands of dollars)

	2023 Budget	2023	2022
Expenses			
Salaries, wages and benefits	\$ 138,958	\$ 141,168	\$ 133,412
Contracted and general services	57,392	58,868	50,157
Materials, goods and utilities	28,873	24,209	24,246
Provisions for allowances	284	404	650
Bank charges and short term interest	970	397	358
Interest on long-term debt	12,951	13,014	12,081
Total grants and other transfers	4,040	4,703	4,078
Other operating expenses (Schedule 5A)	154,957	123,469	150,937
Amortization of tangible capital assets	83,871	83,309	88,320
Amortization of long-lived asset	3,358	1,363	1,934
Accretion on asset retirement obligations	4,174	7,951	10,751
Impairments (recoveries)	-	13,941	(84,424)
Loss on disposal of tangible capital assets	-	699	1,454
Loss (gain) on disposal of long-lived assets	-	13	(2,445)
Gain on disposal of long-lived liabilities	-	(79)	-
Total expenses	\$ 489,828	\$ 473,429	\$ 391,509

CONSOLIDATED**Schedule 5A**

Schedule of Other Operating Expenses
For the year ended December 31, 2023
(in thousands of dollars)

	2023 Budget	2023	2022
Other Operating Expenses			
Natural Gas & Oil asset retirement obligation loss on settlement	\$ -	\$ 11,704	\$ 13,050
Natural Gas purchases	87,839	41,395	99,219
Natural Gas & Oil surface and mineral leases	6,673	6,576	7,108
Natural Gas & Oil royalties	283	273	680
Taxes or taxes in lieu	9,294	21,717	22,480
Natural Gas & Oil transportation	210	282	228
Other	50,658	41,522	8,172
Total other operating expenses	\$ 154,957	\$ 123,469	\$ 150,937

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF CONSOLIDATION

The Consolidated Financial Statements reflect the assets, liabilities, revenues and expenses and changes in net financial assets (debt) of the reporting entity. This entity includes all of the organizations that are owned or controlled by the municipality and are, therefore, accountable to City Council for the administration of their financial affairs and resources. They include the following:

1. Municipal Services

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

2. Land, Energy, and Utility Services

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

Interdepartmental and organizational transactions and balances are eliminated.

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

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

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

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

(B) BASIS OF ACCOUNTING

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

1. Revenues

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

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

The City passed Bylaw No. 4422 to establish a Heritage Savings Reserve, which will be administered as an endowment fund for the benefit of citizens of the City. Endowment contributions consist of internal allocations by the City, the principal of which is required to be maintained intact in perpetuity. Investment income allocated for the preservation of endowment capital is recognized in the statement of operations in the period it is received.

2. Tax Revenues

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

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

3. Expenses

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

(C) CASH AND CASH EQUIVALENTS

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

(D) INVESTMENTS, LOANS AND ADVANCES

Portfolio investments are comprised of investments in qualifying instruments as defined in the City's Investment Policy No. 0167. Included in investments are internally managed portfolios of investments in money market and fixed income securities. The City also has external investment portfolios managed by third party investment managers including Addenda Capital, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management, Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management, Mesirow Financial Investment Management, and Phillips, Hager & North Institutional. These funds are invested across the following asset classes: Canadian & Global fixed income and equities, infrastructure, real estate, commercial mortgages, private credit, and currency.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

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

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

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

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

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

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

(E) FOREIGN CURRENCY TRANSLATION

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

Monetary assets and liabilities denominated in a foreign currency, and non-monetary items at fair value denominated in a foreign currency, are adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses and recognized in the statement of operations.

(F) INVENTORIES FOR RESALE

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

(G) LAND HELD FOR RESALE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(H) PENSION EXPENSES

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

(I) JOINT VENTURE ACCOUNTING

Some of the City's production activities related to oil and gas are contracted jointly with third parties. These statements reflect only the City's proportionate interest in such activities.

(J) OVER-LEVIES AND UNDER-LEVIES

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

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

(K) ASSET RETIREMENT OBLIGATION

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

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

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

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

The City's oil and gas production activities give rise to dismantling, decommissioning and site disturbance remediation activities. The liability is the estimated cost of abandonment and site restoration and capitalized in the relevant asset category. Retirement obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date. After the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The City applies the Interest Method of Allocation to adjust the ending balance of the obligation at the end of each period. The increase in the liability due to the passage of time is recognized as accretion whereas the increase/decrease due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the retirement obligations are charged against the liability to the extent it was established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(L) NON-FINANCIAL ASSETS

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

1. Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development, betterment, or retirement of an asset.

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

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

Land Improvements	4 to 25 years
Buildings	15 to 50 years
Engineered Structures	7 to 75 years
Machinery, Equipment & Furnishings	5 to 25 years
Vehicles	3 to 20 years

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

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

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

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

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

(i) Exploration and Evaluation (E&E) Assets

Costs incurred prior to acquiring the legal right to explore an area are charged directly to net income.

Costs incurred after the legal right to explore is obtained but before technical feasibility and commercial viability of the area has been established are capitalized as E&E assets. These costs generally include unproved property acquisition costs, geological and geophysical costs, sampling and appraisals, related drilling and completion costs and directly attributable internal costs.

Once an area is determined to be technically feasible and commercially viable the accumulated costs are tested for impairment. The carrying value, net of any impairment, is then reclassified to PP&E as a Developed and Producing (D&P) asset. If an area is determined not to be technically feasible and commercially viable, or the City discontinues its exploration and evaluation activity, any unrecoverable costs are charged to net income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

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

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

D&P assets are grouped into cash generating units (CGU) for impairment testing. The City has grouped its development and production assets into the 10 CGUs. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

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

(iii) Subsequent Costs

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

(iv) Depletion and Depreciation

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

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

(v) Impairment

E&E Assets:

E&E assets are tested for impairment when indicators of impairment exist or when technical feasibility and commercial viability are established and the assets are reclassified to PP&E. The impairment test compares the E&E assets' carrying value to their recoverable amount plus any excess recoverable amounts on D&P assets. E&E assets that are determined not to be technically feasible and commercially viable are charged to net income.

PP&E:

The carrying amounts of the City's oil & gas related non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

impairment testing, assets are grouped into cash generating units (CGU), the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use or its fair value less cost to sell.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to sell of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate, which would be applied by such a market participant to arrive at a net present value of the CGU.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the City's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proven and unproven volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Reversals of impairments are recognized when factors or circumstances that triggered the original impairment have changed. Impairments can only be reversed in future periods up to the carrying amount that would have been determined, net of depletion and depreciation, had no impairment losses been previously recognized. Goodwill impairments are not reversed.

(M) LOAN GUARANTEES

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

(N) USE OF ESTIMATES AND JUDGEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

1. Gas Utility

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of oil and natural gas reserves and future prices and costs required to develop those reserves. The estimates of reserves are subject to measurement uncertainty including estimates of future prices, costs, discount rates and related cash flows. The impact of this measurement uncertainty could be material to the financial statements in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

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

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

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

2. Liability for Contaminated Sites

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

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

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

3. Asset Retirement Obligations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(O) FUTURE ACCOUNTING CHANGES

1. Revenue

PS approved PS 3400, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3400 provides guidance on when to recognize revenue arising from exchange transactions and from unilateral transactions. This section is to be adopted retroactively or prospectively. The City has not yet adopted this section or determined the effect on the Financial Statements.

2. Public Private Partnerships

The Canadian Public Sector Accounting Board approved PS 3160, which comes into effect for fiscal years beginning on or after April 1, 2023. PS 3160 provides standards for the recognition, measurement, presentation, and disclosure of infrastructure procured through certain types of public private partnership arrangements. This section is to be adopted retroactively with or without prior period restatement. The City has not yet adopted this section or determined the effect on the Financial Statements.

3. Purchased Intangibles

The Canadian Public Sector Accounting Board issued a new guideline PSG 8, which comes into effect for fiscal years beginning on or after April 1, 2023. PSG 8 provides guidance on recognizing purchased intangibles in financial statements. This section is to be adopted retroactively with or without prior period restatement. The City has not yet adopted this section or determined the effect on the Financial Statements.

(P) ADOPTION OF NEW ACCOUNTING STANDARDS

1. PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation:

On January 1, 2023, the City adopted Public Accounting Standards *PS 3450 – Financial Instruments* and *PS 2601 – Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices.

In accordance with the provisions of this new standard, the City reflected the following adjustments at January 1, 2023:

- Investments: balances were revalued to market value resulting in an opening balance decrease in investments of \$53,284.
- Foreign exchange: as a result of the revaluation to market value of investments, foreign exchange was calculated on those investments in foreign currency which resulted in an increase in investments of \$466.
- Carbon credits: balances were revalued to the 2022 prescribed rate resulting in an increase to the value of deposits of \$1,339.

These adjustments are reflected in the opening adjustment on the statement of remeasurement gains and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

2. PS 3280 – Asset Retirement Obligations:

On January 1, 2023, the City adopted Public Accounting Standard PS 3280 – *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing *Section PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the prospective basis at the date of adoption. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The City removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of PS3280 on January 1, 2023, using the prospective method. The liability represents the required closure and post-closure care for the landfill sites owned by the City. The landfill sites were purchased at the same time in 1969, and the liability was measured as of the date of purchase of the sites, when the liability was assumed. The buildings had an expected useful life of 20 years, and the estimate has not changed since purchase. As of the date of adoption of the standard, the relevant discount rate is 4.90% per annum.

On January 1, 2023, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos. The buildings were originally purchased over various years and the liability was measured as of the date of purchase of the buildings when the liability was assumed. The buildings have an expected useful life of 25-75 years, and the estimate has not been changed since purchase.

On adoption of PS3280, the City recognized that Oil & Gas Assets had been previously held under a similar accounting standard for Asset Retirement Obligations (CICA 3010) and adopted PS3280 in its place in 2023. Due to the similarity in the methods to recognize the obligation arising for Oil & Gas Assets for CICA 3010 and PSAB 3280, there were no significant changes to the measurement of the asset retirement obligation.

In accordance with the provisions of this new standard, the Organization reflected the following adjustments at January 1, 2023:

- Landfill obligation:
 - An increase of \$8,043 to the landfill capital asset account, representing the revalued estimate of the obligation as of the date of adoption.
 - An increase of \$8,043 to the existing \$2,764 landfill closure and post closure costs to adjust the asset retirement obligation to the amount of \$10,807. This represents the revalued \$12,729 obligation discounted to the present value amount using a rate of 3.02%.
- Asbestos obligation:
 - An increase of \$4,128 to the buildings, capital asset account, representing the original estimate of the obligation as of the date of adoption.
 - An asset retirement obligation in the amount of \$4,128, representing the original \$5,841 obligation discounted to the present value amount using a rate of 3.02%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

- Oil & Gas obligation:
 - No adjustment required as previously evaluated under a similar accounting standard (CICA 3010), and there are no significant changes in methodology for PSAB 3280.

The detailed impact on the Financial Statements has been disclosed in Note 12: Asset Retirement Obligations, Note 15: Tangible Capital Assets, and Note 16: Accumulated Surplus.

NOTE 2: CASH AND CASH EQUIVALENTS

	2023	2022
Cash	\$ 44,533	\$ 11,880
Designated assets	21,853	32,308
TOTAL	\$ 66,386	\$ 44,188

Designated assets represent restricted amounts aggregating \$21,853 (2022 - \$32,308) for programs held exclusively for eligible capital projects (Note 9). Interest earned on designated assets was at an average interest rate of 5.14% (2.27% - 2022) and amounted to \$2,156 for 2023 (2022 - \$1,229).

NOTE 3: ACCOUNTS RECEIVABLE, net of allowances

(A) TAXES AND BUSINESS IMPROVEMENTS LEVIES RECEIVABLE

	2023	2022
Current Taxes Receivable	\$ 5,200	\$ 4,643
SUB-TOTAL	\$ 5,200	\$ 4,643

(B) ACCOUNTS RECEIVABLE

	2023	2022
Trade Accounts Receivable	\$ 47,752	\$ 94,046
Less: Allowance for Doubtful Accounts	(1,156)	(1,166)
SUB-TOTAL	\$ 46,596	\$ 92,880
TOTAL	\$ 51,796	\$ 97,523

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

The accounts receivable written off was \$441 (2022 - \$1,149); the tax receivable written off was \$nil (2022 - \$nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 4: INVESTMENTS, LOANS AND ADVANCES

Effect On Balance Due to PS 3450 Adoption

As a result of the City adopting PS 3450 prospectively, balances for 2023 are valued at fair value (2022 – at cost).

	2023		2022	
	Cost	Market Value	Cost	Market Value
Federal Government and Agencies	\$ -	\$ -	\$ 2,451	\$ 2,243
Managed Portfolio Funds	612,269	593,606	547,811	496,202
Canadian Banks	45,000	45,000	77,557	77,557
Others	28,053	28,053	11,127	11,127
TOTAL	\$ 685,322	\$ 666,659	\$ 638,946	\$ 587,129

These investments include both internally and externally managed funds. The internally managed funds are invested in fixed income investments recorded at cost with interest rates from 5.70 percent to 6.45 percent (2022 - 1.35 percent to 5.45 percent) and mature in 2024 (2022 - periods 2023 through 2031). The investments have an average expected yield of 6.12 percent (2022 – 3.86 percent) and an average term of 0.66 (2022 – 0.32) years to maturity. The managed portfolio funds are externally managed by Addenda Capital, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management, Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management, Mesirow Financial Investment Management, and Phillips, Hager & North Institutional. These funds are invested across the following asset classes: Canadian & Global fixed income and equities, infrastructure, real estate, commercial mortgages, private credit, and currency.

The composition of portfolio investments is as follows:

	2023 (Market Value)				2022 (Cost)			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fixed Income								
Canadian government and corporate	-	61,444	-	61,444	-	40,858	-	40,858
Foreign government and corporate	-	63,216	-	63,216	-	40,886	-	40,886
Pooled investment funds	-	-	-	-	-	46,379	-	46,379
Pooled Canadian mortgages	-	-	63,842	63,842	-	-	57,316	57,316
Equities								
Canadian equities	44,556	-	-	44,556	30,382	-	-	30,382
Foreign equities	236,276	-	-	236,276	207,504	-	-	207,504
Pooled investment funds	-	-	-	-	60,251	-	-	60,251
Other								
Cash and money market funds	70,411	-	-	70,411	90,589	-	-	90,589
Real estate	-	-	54,234	54,234	-	-	16,308	16,308
Infrastructure	-	-	62,291	62,291	-	-	47,346	47,346
Private credit	-	-	2,636	2,636	-	-	223	223
Derivatives	-	-	7,753	7,753	-	-	904	904
TOTAL	\$ 351,243	\$ 124,660	\$ 190,756	\$ 666,659	\$ 388,726	\$ 128,123	\$ 122,097	\$ 638,946

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

The amounts categorized as others in investments, loans and advances includes \$2,549 (2022 - \$1,331) of accrued realized gain on outstanding hedges, as well as loans receivables of \$98 (2022 - \$223). No allowance for doubtful accounts has been recognized on the loans receivables. These loans are forgiven once the amount is repaid. The following table provides details of the loans receivable.

	2023			2022		
	Balance	Valuation Allowance ¹	Principal Payments	Balance	Valuation Allowance ¹	Principal Payments
SALTA Gymnastics Club	\$ -	\$ -	\$ 7	\$ 7	\$ -	\$ 7
Medicine Hat YMCA	-	6	132	118	14	132
Medicine Hat Curling Club ²	98	-	-	98	-	11
SUB-TOTAL	\$ 98	\$ 6	\$ 139	\$ 223	\$ 14	\$ 150

¹ Valuation Allowances relates to interest free loans and represents the amount of interest implicit in the loan payments if it were interest bearing. There are no interest free loans outstanding at December 31, 2023.

² Medicine Hat Curling Club loan is due in 2033 with annual instalments of \$11, bearing interest at 2.25%.

NOTE 5: LAND HELD FOR RESALE

Land held for resale includes \$10,333 of developed properties held for sale (2022 - \$10,523).

NOTE 6: INVENTORIES FOR RESALE

	2023	2022
Concessions	144	151
TOTAL	\$ 144	\$ 151

NOTE 7: DEPOSITS

	2023	2022
Postage	\$ 29	\$ 20
Refundable Containers	28	28
Gas Operating Deposits	6	6
Supply Transmission Deposit	1,038	1,100
Carbon Credits	3,912	-
Gas Royalty Deposits	19	12
TOTAL	\$ 5,032	\$ 1,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 8: ACCRUED LIABILITIES

	2023	2022
Wages and Salaries	\$ 5,139	\$ 5,856
Vacation Pay	7,075	6,981
Interest on Long-Term Debt	1,501	1,648
Deferred Charges	-	3,174
Royalties	56	68
Other Liabilities	7,529	8,690
TOTAL	\$ 21,300	\$ 26,417

NOTE 9: DEFERRED REVENUE & GOVERNMENT TRANSFERS

(A) DEFERRED REVENUE

	Balance 2022	Additions 2023	Reductions 2023	Balance 2023
Deposits	\$ 13,166	\$ 1,116	\$ 3,336	\$ 10,946
Deferred Revenue	6,543	330	1,077	5,796
Active Transportation Fund	-	50	32	18
Airport Capital Assistance Program	447	-	447	-
Alberta Community Partnership	7	150	10	147
Alberta Labour Market Partnership	-	65	-	65
Alberta Museums Association	-	25	-	25
All Hazards Incident Management Team (AHIMT) Grant	163	57	80	140
Bell West	10	-	-	10
Canada Community- Building Fund (CCBF)	8,677	4,526	6,658	6,545
Canadian Heritage Foundation	-	220	197	23
Community Warmth Deposits	3	31	32	2
Investing in Canada Infrastructure Program	1	358	359	-
Municipal Climate Change Action Centre – Climate Resilience Capacity Building Program	60	20	80	-
Municipal Stimulus Program (MSP) - COVID-19	190	-	190	-
Municipal Sustainability Initiative - Capital	28,887	7,989	16,772	20,104
Municipal Sustainability Initiative - Operating	312	868	419	761
Northern and Regional Economic Development Program (NRED)	-	200	-	200
Pitch Trust	2	-	-	2
Settlement, Integration and Language Program (SILP)	-	280	16	264
TOTAL	\$ 58,468	\$ 16,285	\$ 29,705	\$ 45,048

Funds from Active Transportation Fund, Alberta Community Partnership, Alberta Labour Market Partnership, Alberta Museums Association, All Hazards Incident Management Team Grant, Canada Community- Building Fund, Canadian Heritage Foundation, Investing in Canada Infrastructure Program, Municipal Sustainability Initiative, Northern and Regional Economic Development Program (NRED) and Settlement, Integration and Language Program (SILP) are restricted to eligible projects as approved under their respective funding agreements. Unexpended funds related to the advances are supported by cash and cash equivalents (Note 2) of \$21,853 (2022 - \$32,308) held exclusively for these projects. Included in deferred revenue for Municipal Sustainability Initiative – Capital is \$6,438 (2022 - \$6,436) of funds not yet received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(B) GOVERNMENT TRANSFERS

Major government transfers recognized by the City during the year were: Alberta Energy – Electricity & Natural Gas Rebate Program (used to offset utility bills of rate payers), Canada Community Building Fund (used primarily for bridge infrastructure upgrades and recreation infrastructure), Family and Community Support Services (used for not for profit organizations providing social services), Innovation and Clean Growth in the Natural Resources Sectors - Energy Innovation Program (EIP NRCan) (used to support transition to clean energy), Municipal Sustainability Initiative Capital Grant (used primarily for rehabilitation of road and storm sewer infrastructure and rehabilitation of various administrative buildings and public facilities), Municipal Sustainability Initiative Operating Grant (used primarily for sidewalk maintenance and bridge maintenance), Municipal Policing Assistance and Police Officer grant (used to support police services), and 911 Mobility Grant (used to fund operating costs of 911 operations).

NOTE 10: SHORT-TERM DEBT

A combined Municipal Operating Loan Facility (Revolving) and Letter of Credit Facility are available to the City up to a maximum of \$75 million (2022 - \$50 million), by way of prime rate based loans and/or Letters of Credit (in Canadian dollars). This facility is secured by Bylaw No. 4230. At December 31, 2023, there were Letters of Credit issued in the amount of \$45,360 (2022 – \$45,360) leaving an available Municipal Operating Loan Facility of \$29,640 (2022 - \$4,640).

A Corporate Credit Card Facility is available to the City up to a maximum of \$1.2 million. This facility is secured by Bylaw No. 3967. At December 31, 2023, there was outstanding credit card debt in the amount of \$726 (2022 – \$841).

NOTE 11: LONG-TERM DEBT

(A)

	2023	2022
Tax Supported	\$ 28,340	\$ 31,757
Utilities Rate Supported		
- Electric	142,264	154,261
- Gas	36,133	37,370
- Water	88,934	95,189
- Sewer	93,047	98,895
- Solid Waste	936	1,109
Total Utilities	361,314	386,824
TOTAL DEBT	\$ 389,654	\$ 418,581
Comprised of:		
- Alberta Capital Finance Authority	\$ 369,654	\$ 398,581
- Other Long Term-Debt	20,000	20,000
TOTAL DEBT	\$ 389,654	\$ 418,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

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

	Principal	Interest
2024	26,536	12,157
2025	24,150	11,280
2026	24,104	10,457
2027	26,827	9,606
2028	25,372	8,760
2029-2051	262,665	57,692
TOTAL	\$ 389,654	\$ 109,952

The debentures have interest payable at rates ranging from 1.79 percent to 6.25 percent (2022 - 1.79 percent to 6.25 percent) per annum before Provincial Subsidy and mature in periods 2024 through 2051 (2022 - 2023 through 2051). The average annual interest rate for 2023 is 3.48 (2021 - 3.59) percent. For qualifying debentures, the Province of Alberta rebates 60 percent of interest in excess of 8 percent, 9 percent, and 11 percent to a maximum annual rate of 12.5 percent depending on the date borrowed. Debenture debt is issued on the credit and security of the City of Medicine Hat.

Interest on long-term debt paid in 2023 was \$13,014 (2022 - \$12,081).

(C) **DEBT PER CAPITA**
(not in thousands of dollars)

	2023	2022
Tax Supported Debentures	\$ 448	\$ 502
Rate Supported Debentures	5,711	6,114
TOTAL	\$ 6,159	\$ 6,616

Debt per capita is based on the official census of 63,271 for 2023 (63,271 for 2022) for the City of Medicine Hat.

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

	2023	2022
Debt Limit	\$1,021,674	\$1,051,870
Letters of Credit Issued (Note 10)	45,360	45,360
Corporate Credit Card Debt (Note 10)	726	841
Long-Term Debt (Note 11A)	389,654	418,581
Loan Guarantees (Note 11E)	1,072	1,157
AMOUNT UNDER LIMIT	\$ 584,862	\$ 585,931
Debt Servicing Limit	\$ 178,793	\$ 184,077
Actual Debt Servicing (Long and Short-Term Debt)	42,086	41,666
AMOUNT UNDER LIMIT	\$ 136,707	\$ 142,411

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(E) LOAN GUARANTEES

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

Bylaw Number	Bylaw Passed by City Council	Guarantee	2023 Maximum Loan Amount	2023 Balance	2022 Maximum Loan Amount	2022 Balance
Bylaw 4187	September 3, 2013	Connaught Golf & Country Club	965	610	965	657
Bylaw 4138	November 6, 2012	Medicine Hat Golf & Country Club	675	413	675	440
Bylaw 4436	June 20, 2017	Medicine Hat Golf & Country Club	100	49	100	60
TOTAL			\$ 1,740	\$ 1,072	\$ 1,740	\$ 1,157

The Loan Guarantees identified above are at various interest rates with a maximum repayment term of 20 years (2022 – 20 years). All loans are in good standing at December 31, 2023.

NOTE 12: ASSET RETIREMENT OBLIGATIONS

	Liability Balance, December 31, 2022	Liability Balance, January 1, 2023	Accretion Expense	Change in Estimate	Liability Balance, December 31, 2023
Asset Retirement Obligation – Gas and Oil Properties	\$ 214,322	\$ 214,322	\$ 6,364	\$ 17,360	\$ 238,046
Asset Retirement Obligation – Asbestos Abatement	-	4,128	1,262	-	5,390
Asset Retirement Obligation – Sanitary Landfill	2,764	10,807	325	-	11,132
TOTAL	\$ 217,086	\$ 229,257	\$ 7,951	\$ 17,360	\$ 254,568

Gas and Oil Properties

December 31, 2023, the estimated undiscounted cash flows, prior to any current year cost change estimates, required to settle the decommissioning obligations with respect to the Gas Utility were \$234,523 (2022 - \$235,669), calculated using an inflation rate of 2.46 (2022 – 2.27) percent per annum. The estimated fair value of this liability was \$238,046 (2022 - \$214,322) after discounting the estimated cash flows at a rate of 6.05 (2022 – 6.31) percent. At December 31, 2023, the expected timing of payment for settlement of the obligations ranges from 1 to 15 years (2022 - 1 to 15 years). The City has not designated assets for settling decommissioning obligations.

During the year ended December 31, 2023, the City accelerated the abandonment of certain wells and compressors which expedited the abandonment time frame. A total of \$13,049 (2022 - \$19,169) was incurred to settle the obligations. \$11,704 (2022 - \$13,050) was charged to operating expenses as a result of accelerating the timeline on the abandonment program, resulting in a net reduction of \$1,345 (2022 - \$6,119) related to decommissioning liabilities.

Asbestos Abatement

Asset Retirement Obligations associated with the City's Buildings were recognized as a result of the adoption of PS 3280. Relevant legislation including the *Asbestos Code of Practice* obligates the entity to remove asbestos in a specified manner once the assets are no longer held for productive use. At December 31, 2023, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to Asbestos Abatement were \$5,841, calculated using an inflation rate of 2.46 percent per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of \$5,390 was 3.02 percent. At December 31, 2023, the expected timing of payment to settle decommissioning obligations ranges from 5 to 75 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

Sanitary Landfill

The scope of PS 3280 includes the restoration costs associated with solid waste landfills. The City is legally and contractually obligated to perform reclamation activities regardless of the volume of waste accepted once the asset is no longer held for productive use. PS 3280 obligates the City to recognize the total obligation once waste is accepted and to increase the carrying amount of the related asset by the same amount. On January 1, 2023, an increase of \$8,043 was made to the prior year \$2,764 landfill closure and post closure costs to adjust the asset retirement obligation to the amount of \$10,807. At December 31, 2023, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to the City's Sanitary Landfill were \$12,729, calculated using an inflation rate of 2.46 percent per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of \$11,132 was 3.02 percent. At December 31, 2023, the expected timing of payment to settle decommissioning obligation is 33 years.

NOTE 13: OTHER LONG-TERM LIABILITIES

	2023	2022
Offsite Contributions	\$ 22,397	\$ 18,317
Contaminated Sites - Abandonment & Restoration	357	347
Deferred Charges	1,364	1,448
Employee Retirement Benefits Liability (Note 19)	7,650	7,645
TOTAL	\$ 31,768	\$ 27,757

At December 31, 2023 the estimated undiscounted cash flows required to settle the contaminated sites were \$367 (2022 – \$400), calculated using an inflation rate of 2.46 (2022 – 2.38) per cent per annum. The estimated fair value of this liability was \$357 (2022 – \$347) after discounting the estimated cash flows at a rate of 5.00 (2022 – 4.90) per cent. The amount of anticipated recoveries included in this estimate is \$nil (2022 - \$nil). The City has not designated assets for settling decommissioning obligations. The change in estimated cash flows required from 2022 to 2023, relates to revised cost estimates on the Industrial Berm site, two sites that were formally leased to third parties, and one former fuel station. In addition, there were two new sites included in 2023 which include an electric transformer repair building and a former veterinarian clinic adjacent to the railway. In 2023, the estimated cash flows were lower than 2022.

The sources of the contamination for which the liability has been recorded include: sites where underground storage tanks have leaked, sites where polycyclic aromatic hydrocarbons (PAHs) and petroleum hydrocarbons (PHCs) exceeded the remediation guidelines, sites containing contaminated groundwater associated with the disposal of snow, and sites where old tanks and barrels/drums could potentially contain polychlorinated biphenyl (PCBs). At December 31, 2023, the expected timing of payment for settlement of the obligations ranges from 1 to 10 years (2022 – 1 to 10 years).

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

Additional sites where liabilities have not been recognized as estimated costs to clean up the site are not readily available or obtainable through analysis of historical or similar operations include: two snow dump sites; a compost facility near the Landfill; and a former shooting range, where there is potential soil and groundwater contamination; a site where hydrocarbon and metals contamination exceeds guidelines. This site had been leased to a third party and is now vacant and not being utilized for a productive purpose. It was recommended that the City of Medicine Hat monitor the site until more information is revealed about the extent of such costs. There were no new sites added in 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 14: LAND HELD FOR FUTURE DEVELOPMENT

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

NOTE 15: TANGIBLE AND LONG-LIVED CAPITAL ASSETS

	2023 Net Book Value	2022 Net Book Value
Land	\$ 48,448	\$ 48,399
Land Improvements	92,024	92,933
Buildings	255,082	255,648
Engineering Structures	868,456	871,105
Gas and Oil Properties	54,209	74,304
Machinery, Equipment and Furnishings	53,684	59,345
Vehicles	21,434	20,929
Total Tangible Capital Assets	1,393,337	1,422,663
Long-Lived Assets	42,112	7,355
TOTAL	\$ 1,435,449	\$ 1,430,018

Capital assets under construction are carried at cost. Amortization will commence with productive use. Included in the above is capital assets under construction aggregating \$46,730 (2022- \$33,624). The value of capital assets currently under construction and not being amortized increased by \$13,081 (2022 – decreased by \$40,829) as a net transfer to productive use. Contributed capital assets received and recognized in the year from developers for various infrastructure works and parks is \$625 (2022 - \$133). 2023 contributed capital assets relate to leasehold improvements from the local golf courses and land improvements to private subdivisions.

The City did recognize a write down \$13,941 (2022 – -\$84,935 recovery), which relates to the oil and gas assets as a result of the decrease in provable and probable reserves and the decrease in current and forward market commodity price for natural gas and oil.

Effect On Balance Due to PS 3280 Adoption

The 2023 net book value of long-lived assets increased by \$34,757 due to the recognition of the decommissioning obligation associated with asbestos abatement of \$3,566; sanitary landfill of \$7,718; and gas and oil properties of \$23,473. The 2022 net book value of long-lived asset amount of \$7,355 is related to the decommissioning obligation associated with the gas and oil properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 16: ACCUMULATED SURPLUS

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

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	Total 2023	Total 2022
Balance, beginning of year	\$ 97,133	\$ 353,218	\$ 1,004,082	\$ 1,454,433	\$ 1,293,309
Annual surplus (deficit)	62,968	-	-	62,968	161,124
Unrestricted funds designated for future use	(173,115)	173,115	-	-	-
Restricted funds used for operations	74,125	(74,125)	-	-	-
Funded tangible and long-lived capital assets	(119,520)	-	119,520	-	-
Contributed tangible capital assets	(625)	-	625	-	-
Disposal of tangible and long-lived capital assets	795	-	(795)	-	-
Impairment	13,941	-	(13,941)	-	-
Annual amortization expense	84,672	-	(84,672)	-	-
Asset Retirement Obligation	254,568	-	(254,568)	-	-
Asset retirement obligation accretion expense	7,951	-	(7,951)	-	-
Long term debt repaid	(28,927)	-	28,927	-	-
BALANCE, END OF YEAR	\$ 273,966	\$ 452,208	\$ 791,227	\$ 1,517,401	\$ 1,454,433

Effect On Balance Due to PS 3280 Adoption

The asset retirement obligation of \$254,568 has been included in equity and reflects the amounts for settling decommissioning obligations (Note 12).

1. Unrestricted Surplus

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

UNRESTRICTED SURPLUS (DEFICIT)	2023	2022
General Government	\$ 9,171	\$ 13,649
Gas	215,971	15,607
Electric	(16,304)	6,339
Water	16,210	19,525
Sewer	7,137	8,973
Solid Waste	16,773	12,754
Land	25,008	20,286
TOTAL	\$ 273,966	\$ 97,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

2. Restricted Surplus

The City of Medicine Hat developed Financial Reserve Policy No. 0168 and a Distributable Funds/Dividend Policy No. 0169, which were adopted by Council on December 21, 2020.

The objective of these policies is to promote strong financial leadership and planning to encourage long term sustainability of the Corporation. The policies require earnings are retained at a level to account for all administration, operation, sustaining capital and maintenance costs of existing equipment required to provide the current level of service in each business unit. As well, the policies require that distributable funds (free cash flow) are provided to fund financial reserves (operating and capital) for financing future growth capital and future asset retirement obligations, supporting asset management planning, and planning for operational contingencies.

The Financial Reserve Policy established the following reserves:

- The Operating Reserve Fund is to stabilize fluctuations in operating activity and to address the risk of revenue or expenditure volatility.
- The Capital Reserve Fund is to maintain adequate capital to fund the City's Growth Capital requirements and Asset Retirement Obligations (ARO).
- The Heritage Savings Reserve Fund is to provide an endowment fund for the benefit of the citizens of the City.

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

RESTRICTED SURPLUS - RESERVES	Balance 2022	2023 Additions	2023 Reductions	Balance 2023
Operating	\$ 39,997	\$ 42,668	\$ 50,693	\$ 31,972
Capital	154,042	96,103	23,432	226,713
Heritage Savings	159,179	34,344	-	193,523
TOTAL	\$ 353,218	\$ 173,115	\$ 74,125	\$ 452,208

3. Equity in Tangible Capital Assets

EQUITY IN TANGIBLE CAPITAL ASSETS	2023	2022
Tangible capital assets (Schedule 1)	\$ 3,236,597	\$ 3,036,398
Accumulated amortization (Schedule 1)	(1,801,148)	(1,613,735)
Asset Retirement Obligation (Note 12)	(254,568)	-
Long-term debt (Note 11)	(389,654)	(418,581)
TOTAL	\$ 791,227	\$ 1,004,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 17: SALARY AND BENEFITS DISCLOSURE

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

	2023			2022		
	2023 Salary ¹	Benefits & Allowances ²	Total 2023	2022 Salary ¹	Benefits & Allowances ²	Total 2022
Mayor Linnsie Clark	\$ 148	\$ 31	\$ 179	\$ 141	\$ 27	\$ 168
Councillor:						
Dumanowski, R	48	13	61	46	12	58
Hirsch, D	48	11	59	46	10	56
Knodel, A	49	5	54	47	5	52
Hider, C	49	12	61	47	11	58
Robins, R	48	15	63	45	9	54
Sharps, S	49	20	69	47	14	61
Van Dyke, A	48	13	61	45	8	53
McGrogan, A	48	22	70	47	14	61
Chief Administrative Officer (CAO) ³	280	59	339	432	32	464
Designated Officers (10)	1,343	246	1,589	1,477	259	1,736

¹ Salary includes regular base pay and vacation payouts.

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

³ Chief Administrative Officer (CAO) - 2022 amounts include interim CAO's hired to fill the vacancy until the CAO position was filled in February 2023.

NOTE 18: LOCAL AUTHORITIES AND SPECIAL FORCES PENSION PLANS

Employees of the City of Medicine Hat, with the exception of Police Officers, participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the *Public Sector Pension Plans Act*. LAPP serves 291,259 members in 2022 (281,765 in 2021) and 437 employers in 2022 (435 in 2021). The Police Officers are members of the Special Forces Pension Plan (SFPP) and serves 7,812 members in 2022 (7,670 in 2021) and 7 employers (2021 – 7). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

During 2023, the City of Medicine Hat was required to make current service contributions to the Local Authorities Pension Plan of 8.45 percent (2022 – 8.45 percent) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 12.23 percent (2022 – 12.80 percent) for the excess. With regard to the Special Forces Pension Plan, the City of Medicine Hat was required to make service contributions of 14.55 percent (2022 - 14.55).

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2023 were \$10,807 (2022 - \$10,236). Total current service contributions by the employees for 2023 were \$9,757 (2022 - \$9,240).

At December 31, 2022 LAPP disclosed an actuarial surplus of \$12.7 billion (2021 - surplus of \$11.9 billion).

At December 31, 2022 SFPP disclosed an actuarial surplus of \$265.3 million (2021 – surplus of \$424.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 19: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. In 2022, an actuarial accounting valuation for the plan was performed for the year ended December 31, 2022 with a projection for 2023. The 2023 valuation gave rise to an actuarial gain, the gain will offset the prior year loss and will begin amortization in 2024. The unamortized balance is \$2,031 (2022 - \$2,264). Information about the plan is as follows:

	2023	2022
Accrued Benefit Obligation		
Balance, Beginning of Year	\$ 7,645	\$ 6,927
Current Service Cost	135	286
Interest Cost	271	248
Benefits Paid	(168)	(14)
Amortization of net actuarial loss	(233)	198
BALANCE, END OF YEAR (Note 13)	\$ 7,650	\$ 7,645

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

	2023	2022
Discount Rate	5.05%	5.05%
Rate of Compensation Increases	3.00%	3.00%
Expected Average Remaining Service Life	9.72 years	9.12 years

NOTE 20: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2023 was \$20,747 (Gas) and \$9,866 (Electric) (2022 - \$30,850 and \$9,726 respectively).

NOTE 21: OPERATING BUDGET

Operating budget data presented in these consolidated financial statements are based upon the 2023 operating budget approved by Council. Adjustments to budgeted values were required to provide a comparative budget value based on the full accrual basis of accounting and reconciles the approved operating budget with the budget figures as presented in these consolidated statements. Note 22 provides the approved capital budget for 2023.

	2023 Budget
Revenue	
Approved operating budgets	\$ 590,985
Adjustments	(128,831)
	<u>462,154</u>
Expense	
Approved operating budgets	651,088
Adjustments	(161,260)
	<u>489,828</u>
Other revenue	
Government transfers for capital	17,489
	<u>17,489</u>
ANNUAL SURPLUS (DEFICIT)	\$ (10,185)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

NOTE 22: CAPITAL COMMITMENTS

(A) 2023 CAPITAL BUDGET

Following guidelines set out by the Public Sector Accounting Board, the budget reported on the Statement of Change in Net Financial Debt is the 2023 approved Capital Budget. The actual expenditures of \$73,886 (2022 - \$76,442) includes amounts carried forward from previous budget years, as well as costs related to the 2023 budget and developer contributions of tangible capital assets. In 2023, actual expenditures are presented net of properties held for sale.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2023 a number of capital projects were in progress and will be completed in 2024 or subsequent years. The unexpended appropriation related to these projects is \$312,618 (2022 - \$275,697). Significant projects are:

- **Gas Utility**

Drilling and Completions (\$3,919), Well Abandonments (\$111,093), Projects Operated by Third Parties (\$3,192), Pipelines and Wells (\$6,188), Clear Horizon Carbon Capture (\$10,655) and Distribution Systems (\$3,938).

- **Electric Utility**

Unit 12 Generator Rotor Replacement (\$4,274), LM6000PD Engine to LM6000PF Engine Conversion (\$1,558), GSU T12 Replacement (\$1,212), Unit 15 Hot Section Replacement (\$1,212), Energy Business Development (\$7,000), Clear Horizon Carbon Capture (\$4,828), MHS-11 Substation (\$23,622) Transmission Line Capacity Upgrades (\$1,724) and Distribution Systems (\$5,439).

- **Municipal Works**

Transportation Infrastructure Rehabilitation (\$642), Bridge Rehabilitation (\$895), Storm Sewer Rehabilitation Program (\$2,093), Infrastructure Rehabilitation Program (\$1,258), and Flood Mitigation Overland Flow Protection (\$2,502).

- **Parks and Recreation**

Indoor Facilities Infrastructure Program (\$1,073), Irrigation Infrastructure Program and upgrade (\$1,478), 2022 Infrastructure Program (\$358).

- **Fleet & Facilities**

Confined Spaces Access Program (\$838), 2023 Infrastructure Rehabilitation Program (\$289), and vehicle and equipment purchases (\$9,905), City Hall Upgrades (\$565).

- **Information Technology**

Operational Technology (OT) Network Refresh and OT Cybersecurity Controls (\$1,800) and Infrastructure Program (\$730).

- **Water Utility**

Water Main Replacements (\$3,564), Waste Solids Handling Facility (\$15,426).

- **Sewer Utility**

Sewer Main Asset Management Program (\$3,124), Lift Station Facility Upgrade (\$1,521), Brier Park Gravity Bypass (\$5,432).

- **Solid Waste Utility**

Food Waste Pilot (\$1,000).

- **Land**

Unspent budgets relating to subdivisions being developed for sale include Ranchlands (\$14,255), Southlands (\$663), Riverwalk (\$2,165), Airport (\$1,828), Brier Run (\$13,394), and NW Industrial Park (\$12,845).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

(C) CAPITAL PLAN

The following is the City Council approved 2023 - 2024 Capital Plans with projections for 2025 – 2032 for the Gas Utility, Electric Utility, Environmental Utilities, Municipal Services, and Land Development:

2023 Budget	125,544
2024 Budget	74,776
2025 - 2032 Projection	645,171
TOTAL	\$ 845,491

Financing sources identified:

	2023	2024
Government Grants	\$ 17,384	\$ 10,050
Current Revenues	34,143	13,675
Debentures		
Tax Supported	11,896	22,598
Utilities Rate Supported	47,576	15,819
Reserves	13,918	12,634
Direct Charges and Other	627	-
TOTAL	\$ 125,544	\$ 74,776

NOTE 23: CONTINGENT ASSETS AND LIABILITIES

(A) Contingent Assets

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

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

(B) Contingent Liabilities

Various claims have been made against the City as at December 31, 2023. If proven, it is possible that these claims may have a material adverse effect on the financial position of the City. The City is disputing the claims and as the outcome is not determinable at this time, no amount has been accrued in the financial statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

Southridge Recreation and Wellness Centre:

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

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

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

NOTE 24: CONTRACTUAL RIGHTS

The City has entered into the following agreements:

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

NOTE 25: FINANCIAL INSTRUMENTS

The City, as part of its operations, carries a number of financial instruments. It is management's opinion that the City is not exposed to significant interest, currency or credit risk arising from these financial instruments, except as otherwise disclosed. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

The City engages in certain hedging activities to mitigate the impact to revenue from market price changes. Hedging Policy No. 0159 provides the framework for guiding this risk management activity at the City. This policy outlines a set of triggers that guide hedging activities for each business unit. The hedge programs are designed for the specific requirement and constraints of Medicine Hat and focus on stabilizing the cost of commodities and/or stabilizing revenues, maintaining reliable supplies for operations/sales, and mitigating the financial risk exposure to the City.

NOTE 26: SEGMENTED DISCLOSURES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

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

- a) Tax supported programs consist of those that are directly supported by property taxes, including the tax allocation proved directly to other operations as follows:
 - General Government is comprised of Corporate Administration, Mayoral and Councilor services, City Solicitor, City Clerk, Human Resources, and Economic Development.
 - Corporate Services is comprised of Finance, Information Technology, Fleet & Facilities, Communications, Engagement & Marketing, and Corporate Planning & Performance.
 - Development & Infrastructure is comprised of Municipal Works, Airport, Planning & Development Services, and Risk Control and Operations.
 - Public Services is comprised of Fire & Emergency Services, Community Development, and Parks & Recreation.
 - Police Service comprised of all police services and bylaw enforcement.
- b) Gas Utility produces, sells to market, and distributes natural gas to customers within its franchise boundary in a safe and reliable manner. The Gas Utility is operated on a self-sustaining basis.
- c) Electric Utility produces and provides safe, reliable, cost-effective electric energy to the customers of Medicine Hat and surrounding area and provides other related services within the city corporate structure. The Electric Utility is operated on a self-sustaining basis.
- d) Water Utility treats and distributes potable water to City of Medicine Hat water customers. The Water department ensures all treated water meets the rigid safety, quality, monitoring, recording, and reporting parameters of Federal, Provincial, water industry and local standards. The Water Utility is operated on a self-sustaining basis.
- e) Sewer Utility collects and treats sanitary wastewater from City of Medicine Hat sewer customers. The Sewer department ensures all treated wastewater meets the rigid safety, environmental, monitoring, recording, and reporting parameters of Federal, Provincial, wastewater industry and local standards. The Sewer Utility is operated on a self-sustaining basis.
- f) Solid Waste Utility delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. The Solid Waste Utility is operated on a self-sustaining basis.
- g) Land development includes the City's role as a land developer in the areas of acquisition, development, and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land department is operated on a self-sustaining basis.

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

A) REVENUE

- **Municipal taxes** include all annual municipal property taxes and excludes all special assessments and requisitions.
- **Sale of services** includes all third-party revenues generated through the normal course of business, including revenues generated by, but not limited to facility usage, parking, natural gas, electric, water, sewer and solid waste revenues and sale of land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

- **Investment income** includes all investment revenue earned on account of short-term and long-term deposits and investments.
- **Licenses, fines and penalties** includes all revenue received for business licenses, development permits, photo radar tickets, speeding tickets, and penalties charged on overdue accounts.
- **Insurance recovery** includes monies received on account of City insurance claims.
- **Development levies** are charges to developers to help cover the cost of city services provided to their development.
- **Government transfers for operating** include provincial and/or federal transfers provided to the City to fund operating activities.
- **Other** includes any minor sources of revenue not appropriately categorized above.
- **Internal recoveries** include recoveries for services provided by one City department to another.
- **Contribution from reserves** includes funds transferred from reserves as per the Financial Reserve Policy #0168 and the Distributable Funds/Dividend Policy #0169. The funds are transferred to a corporate reserve fund before being distributed to business units and allocated to the appropriate restricted reserves.
- **Transfers from Utilities and Land** include contributions from Utilities and Land to tax supported operations.

B) EXPENSES

- **Salaries, wages, and benefits** include all salaries, wages (including overtime, statutory holidays, shift differential, relief time), employee benefit charges, clothing and cleaning allowance, car allowance, training, travel and memberships and dues.
- **Contracted and general services** include all contracts and other costs relating to services provided by third parties.
- **Materials, goods, and utilities** include items purchased from a third party or issued from stores and natural gas, electric, water, sewer and solid waste costs.
- **Provisions for allowances** include provisions made for anticipated uncollectible accounts receivable.
- **Bank charges and short-term interest** include regular bank charges on the City's bank accounts, automated teller machines at various facility sites and interest charges on our line of credit.
- **Interest on long-term debt** includes interest charge on the principal portion of loans.
- **Total grants and other transfers** include grants from the City to other organizations or individuals as well as transfers on behalf of other organizations.
- **Other operating expenses** include any minor operating expenses not appropriately categorized above.
- **Amortization of tangible capital assets and amortization of long-lived assets** is a way of representing, for accounting purposes, how capital and long-lived assets decline in value over time because of wear and obsolescence. Hard assets such as roads and machinery depreciate over time and must eventually be replaced. Amortization shows the cost of the "use of the asset" each year over the life of the asset.
- **Accretion on asset retirement obligations** is the periodic recognition of an expense associated with the increase in the present value of the asset retirement obligation liability over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in thousands of dollars)

- **Impairments** are the expenses recorded to reduce the value of assets, when the assets are worth less on the market than the value listed on the company's balance sheet. A test is completed each year to compare the carrying amount of the asset to the market value. If the carrying amount is higher than the market value, then the asset is considered impaired and must be written down to its fair value. **Reversal of Impairments** are recorded when factors or circumstances that triggered the original impairment have changed. Impairments can be reversed up to the amount necessary to restore the asset to its pre-impairment carrying amount, less any subsequent depletion and depreciation that would have been recognized.
- **Loss (gain) on disposal of tangible capital assets** reflects the difference between the net proceeds on disposal of a tangible capital asset and the net carrying amount of that asset. If the net carrying amount is higher than the net proceeds on disposal, there is a loss on disposal. If the net carrying amount is lower than the net proceeds on disposal, there is a gain on disposal.
- **Loss (gain) on disposal of long-lived assets** reflects the difference between the net proceeds and the net carrying amount of the asset and the related reduction or recovery in the decommissioning liabilities associated with the disposal of the long-lived assets.
- **Internal charges and transfers** include costs of services provided by one department to another, as well as transfers between City departments.
- **Contribution to reserves** includes funds transferred from the business units to the restricted reserve funds as per the Financial Reserve Policy #0168 and the Distributable Funds/Dividend Policy #0169.

NOTE 27: COMPARATIVE INFORMATION

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

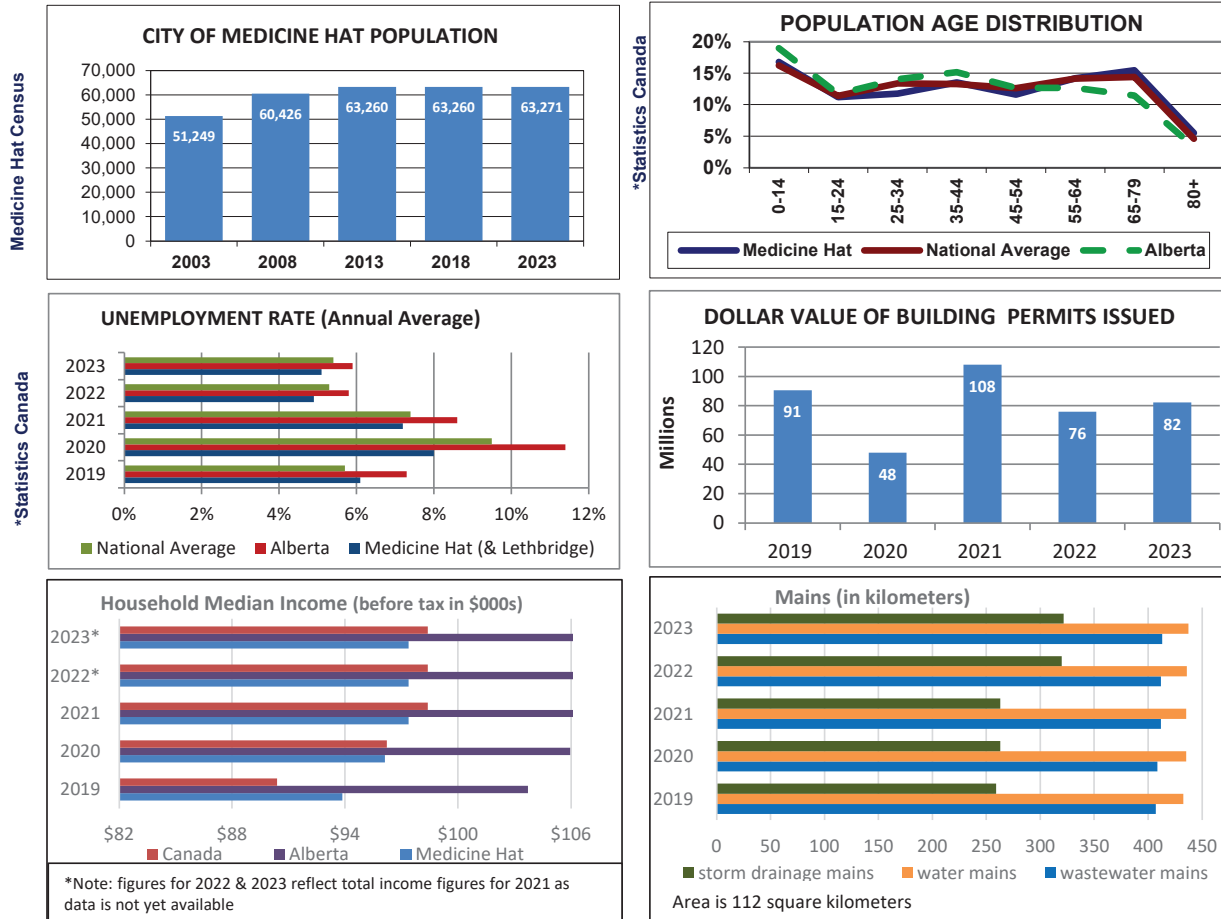
NOTE 28: APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council.

Financial and Statistical Schedules (unaudited)

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

DEMOGRAPHICS & OTHER INFORMATION



LARGEST CORPORATE TAXPAYERS IN MEDICINE HAT

Medicine Hat Mall Inc
 2105657 Alberta Ltd (Aurora Sun)
 The Meadowlands Development Corporation
 Skyline Retail Real Estate Holdings Inc
 South Country Co-op Limited

Canadian Tire Properties Inc
 Avenue Living (2014) GP Ltd
 Cancarb Limited
 Wal-Mart Canada Corp
 Royop (Southlands) Development Ltd

LARGEST EMPLOYERS IN MEDICINE HAT

Public

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

Private

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

CITY OF MEDICINE HAT PERMANENTLY ESTABLISHED POSITIONS 2019 - 2023

	2019	2020	2021	2022	2023
General Government	37	36	24	26	75
Corporate Services	191	201	149	155	197
Public Services	275	275	257	256	270
Police	150	150	148	154	154
Invest Medicine Hat	6	9	8	8	-
Strategy Management & Analysis	20	20	79	86	-
Energy, Land & Environment	325	313	359	365	177
Development & Infrastructure	83	83	-	-	209
Total Permanent Positions	1,087	1,087	1,024	1,050	1,082

Note: As part of the 2023 organizational restructuring, Invest Medicine Hat was split into General Government and Energy, Land & Environment. Strategy Management & Analysis was reallocated to Corporate Services as well as Energy, Land & Environment. Human Resources was moved from Corporate Services to General Government. A number of departments within Energy, Land & Environment was split into Development & Infrastructure.

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 2019 - 2023

(In thousands of dollars)

STATEMENT OF FINANCIAL POSITION

	2023	2022	2021	2020	2019
Financial assets					
Cash and cash equivalents	\$ 66,386	\$ 44,188	\$ 68,004	\$ 62,824	\$ 71,119
Accounts receivable (net of allowances)	51,796	97,523	78,551	47,407	42,716
Investments, loans & advances	666,659	638,946	507,362	414,781	405,053
Land and other assets held for resale	10,333	10,523	10,653	35,237	4,679
Inventories for resale	144	151	140	114	63
Deposits	5,032	1,166	3,720	3,094	3,258
Total financial assets	800,350	792,497	668,430	563,457	526,888
Liabilities					
Trade accounts payable	30,480	55,598	36,835	26,084	29,820
Accrued liabilities	21,300	26,417	22,100	34,226	20,467
Deferred revenue	45,048	58,468	61,498	38,642	52,966
Long-term debt	389,654	418,581	406,316	376,072	353,727
Asset retirement obligation	254,568	217,086	278,142	262,197	258,765
Other long-term liabilities	31,768	27,757	26,670	25,526	22,578
Total liabilities	772,818	803,907	831,561	762,747	738,323
Net financial assets (debt)	27,532	(11,410)	(163,131)	(199,290)	(211,435)
Non-financial assets					
Inventories for consumption	18,633	15,620	14,317	15,191	15,678
Prepaid assets	3,697	2,917	3,102	2,148	2,131
Land held for future development	17,560	17,288	16,479	19,969	18,924
Long lived assets	42,112	7,355	33,359	42,840	60,752
Tangible capital assets	1,393,337	1,422,663	1,389,183	1,356,948	1,381,269
Total non-financial assets	1,475,339	1,465,843	1,456,440	1,437,096	1,478,754
Accumulated surplus	\$ 1,502,871	\$ 1,454,433	\$ 1,293,309	\$ 1,237,806	\$ 1,267,319
Accumulated surplus consists of the following:					
Unappropriated surplus	1,517,401	1,454,433	1,293,309	1,237,806	1,267,319
Accumulated remeasurement gains (losses)	(14,530)	-	-	-	-
Total accumulated surplus	\$ 1,502,871	\$ 1,454,433	\$ 1,293,309	\$ 1,237,806	\$ 1,267,319

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FINANCIAL COMPARISON 2019 - 2023

(In thousands of dollars)

STATEMENT OF OPERATIONS

	2023	2022	2021	2020	2019
REVENUE:					
Taxes	\$ 104,915	\$ 101,164	\$ 97,977	\$ 98,560	\$ 96,178
Less - requisitions	(26,778)	(26,734)	(26,067)	(25,427)	(24,429)
	78,137	74,430	71,910	73,133	71,749
Sale of services					
General Government and Council	5,004	3,142	3,055	2,034	880
Corporate Services and Other Supports	802	782	778	679	957
Parks, Recreation and Culture	11,806	9,502	4,572	3,962	7,418
Emergency Services	874	863	674	516	456
Planning and Infrastructure	631	523	355	388	1,190
Gas	27,618	46,549	36,361	37,235	53,784
Electric	262,830	292,563	196,393	127,710	139,725
Environmental Utilities	57,571	55,982	54,790	49,921	50,350
Land	1,891	3,701	4,082	5,548	4,204
Other income					
Investment income	23,332	6,954	41,572	13,963	25,096
Licenses, fines and penalties	4,464	5,313	6,142	4,909	6,404
Insurance recovery	129	336	2,895	813	300
Development levies	1,321	896	1,674	6,977	4,804
Government transfers for operating	12,947	16,643	5,223	12,607	6,098
Other	21,480	7,756	13,342	12,121	15,786
Total revenue	\$ 510,837	\$ 525,935	\$ 443,818	\$ 352,516	\$ 389,201
EXPENSES:					
General Government and Council	\$ 39,632	\$ 9,825	\$ 7,137	\$ 6,504	\$ 7,992
Corporate Services and Other Supports	65,329	59,635	56,252	52,340	49,245
Parks, Recreation and Culture	46,652	43,155	35,601	36,518	39,537
Emergency Services	44,452	42,044	39,575	40,514	40,681
Planning and Infrastructure	31,186	29,216	28,158	28,288	27,812
Gas	101,755	81,257	130,116	115,792	122,161
Electric	102,804	96,228	84,824	79,741	68,660
Environmental Utilities	40,190	35,837	34,737	37,260	35,322
Land	1,429	3,335	3,565	4,785	3,546
Total expenses	\$ 473,429	\$ 400,532	\$ 419,965	\$ 401,742	\$ 394,956
Excess (Deficiency) of revenue over expenses					
- before other revenue	\$ 37,408	\$ 125,403	\$ 23,853	\$ (49,226)	\$ (5,755)
Other					
Contributed tangible capital assets	625	133	2,195	243	538
Government transfers for capital	24,935	35,588	29,455	19,470	20,320
Total other	25,560	35,721	31,650	19,713	20,858
Annual (deficit) surplus	\$ 62,968	\$ 161,124	\$ 55,503	\$ (29,513)	\$ 15,103

Trends:

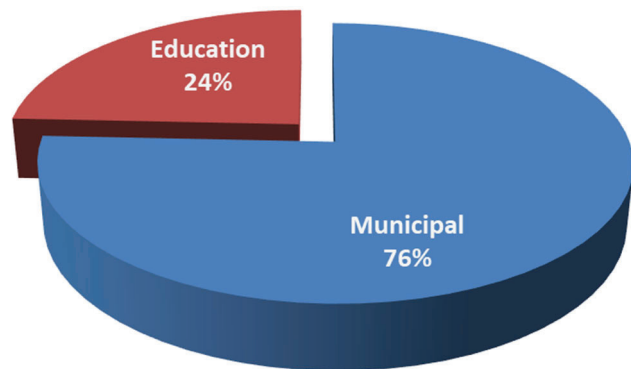
Revenues have increased from 2019 to 2023 mainly due to higher property taxes to align with inflationary increases as well as higher Electric revenues as a result of higher commodity prices. In 2020 revenues decreased due to the COVID-19 pandemic and a decline in oil, gas and electric commodity prices. 2023 revenues decreased primarily due to lower electric commodity prices.

Expenses have increased since 2019 mainly due to inflationary increases and increased activity in Electric resulting in higher taxes in lieu as well as higher amortization due to the implementation of new simple cycle generation. The decrease in 2022 expenses is due to staffing vacancies held throughout the organization as well as the reversal of prior years impairments in oil and gas as a result of the increase in provable and probable reserves and the increase in current and forward market commodity price for natural gas and oil. In 2023 General Government expenses increased as a result of providing a \$33.2 million cost relief pressure program to its residents and small/medium business owners within the franchise area of the City of Medicine Hat to assist with the recent high cost of living. 2023 Gas expenses increased as a result of recognizing a \$14.6 million impairment on oil and gas assets.

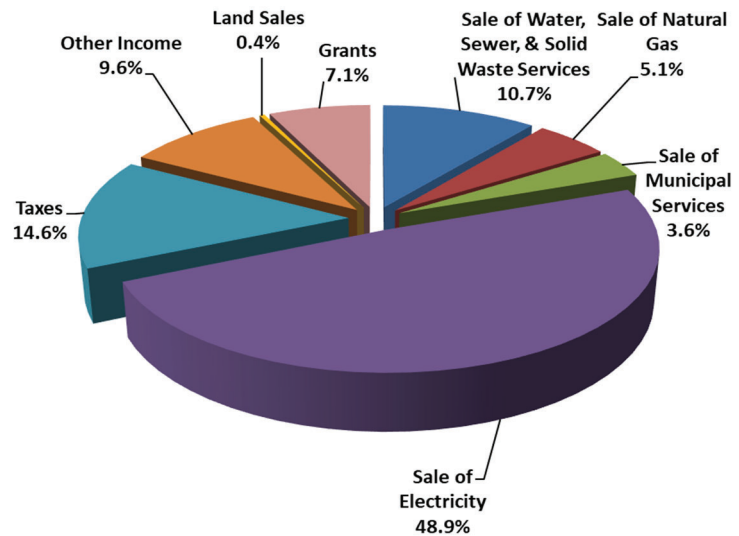
FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

Financial Synopsis: 2023 Operating Activities

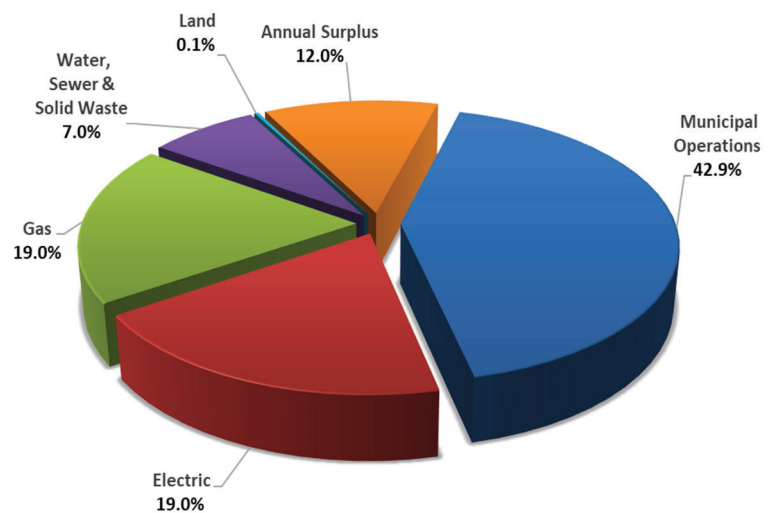
Where our tax dollars went in 2023
Education / Municipal
Property Tax



Where the money comes
from \$536 Million



Where the money goes
\$536 Million



FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019 - 2023

TAXATION & ASSESSMENT

MILL RATES

	2023	2022	2021	2020	2019
MUNICIPAL					
Single family	6.6744	6.8108	6.8034	7.1152	6.7302
Apartments	7.8755	7.9557	8.3090	8.8781	8.7125
Farmland	17.1955	17.3438	16.4809	34.5368	33.2291
Commercial and industrial	15.9113	15.7962	15.2807	15.7102	15.1159
EDUCATION					
Single family	2.4307	2.6137	2.5465	2.4622	2.5883
Apartments	2.4307	2.6137	2.5465	2.4622	2.5883
Farmland	2.4307	2.6137	2.5465	2.4622	2.5883
Commercial and industrial	3.7149	4.1613	3.7467	3.4922	3.5949
OTHER					
Single family	0.1278	0.1053	0.1067	0.1035	0.1040
Apartments	0.1278	0.1053	0.1067	0.1035	0.1040
Farmland	0.1278	0.1053	0.1067	0.1035	0.1040
Commercial and industrial	0.1278	0.1053	0.1067	0.1035	0.1040

PROPERTY TAXES LEVIED

(In thousands of dollars)

PROPERTY TAX LEVY	2023	2022	2021	2020	2019
Municipal	\$ 77,219	\$ 73,567	\$ 71,138	\$ 72,126	\$ 70,320
Education	25,500	25,741	25,087	24,474	23,474
Other	1,278	993	980	953	955
TOTAL REAL PROPERTY	\$ 103,997	\$ 100,301	\$ 97,205	\$ 97,553	\$ 94,749
Current taxes collected	99,436	96,318	92,067	89,429	90,828
% of current taxes collected (includes real + linear property taxes)	95.03%	95.40%	94.19%	91.21%	94.79%
OTHER MAJOR TAXES LEVIED	2023	2022	2021	2020	2019
Linear property taxes	\$ 639	\$ 660	\$ 545	\$ 497	\$ 1,074
Local improvements	279	203	227	510	355
TOTAL MAJOR TAX LEVIED	\$ 918	\$ 863	\$ 772	\$ 1,007	\$ 1,429

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2023	2022	2021	2020	2019
Residential	\$ 7,456,353,374	\$ 6,998,752,689	\$ 6,748,869,568	\$ 6,709,679,101	\$ 6,748,338,079
Multi-family	391,393,709	347,462,670	324,069,416	304,505,120	285,797,772
Farmland	1,051,000	1,095,600	1,196,118	1,243,600	1,232,900
Commercial and industrial	2,038,617,038	1,920,232,705	1,945,336,496	2,022,067,648	1,957,893,244
TOTAL TAXABLE ASSESSMENT	\$ 9,887,415,121	\$ 9,267,543,664	\$ 9,019,471,598	\$ 9,037,495,469	\$ 8,993,261,995

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019 - 2023

(In thousands of dollars)

SUMMARY OF UNRESTRICTED SURPLUS AND RESTRICTED SURPLUS - RESERVES

UNRESTRICTED SURPLUS	2023	2022	2021	2020	2019
General	\$ 9,171	\$ 12,274	\$ 12,185	\$ 11,673	\$ 12,956
Gas	215,971	15,607	(1,973)	7,848	8,109
Electric	(16,304)	6,339	(10,682)	7,100	6,044
Water	16,210	19,525	18,439	15,834	14,938
Sewer	7,137	8,973	6,296	(2,577)	(2,484)
Solid Waste	16,773	14,129	11,890	10,496	9,503
Land	25,008	20,286	21,360	22,253	19,885
TOTAL UNRESTRICTED SURPLUS	273,966	97,133	57,515	72,627	68,951
RESTRICTED SURPLUS - RESERVES					
Operating	31,972	39,997	35,822	40,510	50,220
Capital	226,713	154,042	156,475	93,968	76,299
Heritage Savings	193,523	159,179	60,630	49,825	44,307
TOTAL RESTRICTED SURPLUS - RESERVES	452,208	353,218	252,927	184,303	170,826
TOTAL RESERVES & SURPLUS	\$ 726,174	\$ 450,351	\$ 310,442	\$ 256,930	\$ 239,777

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019 - 2023

(In thousands of dollars)

LONG TERM DEBT

	2023	2022	2021	2020	2019
LONG TERM DEBT					
Debt supported by taxes	\$ 28,340	\$ 31,757	\$ 34,387	\$ 36,928	\$ 38,791
Debt supported by utilities	361,314	386,824	371,929	339,144	314,936
TOTAL TAX SUPPORTED AND UTILITIES DEBT	\$ 389,654	\$ 418,581	\$ 406,316	\$ 376,072	\$ 353,727

DEBT PER CAPITA

(not in thousands of dollars)

	2023	2022	2021	2020	2019
Tax supported	\$ 448	\$ 502	\$ 543	\$ 584	\$ 613
Utility supported	5,711	6,114	5,878	5,361	4,978
TOTAL DEBT PER CAPITA	\$ 6,159	\$ 6,616	\$ 6,421	\$ 5,945	\$ 5,591

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

	2023	2022	2021	2020	2019
Actual debt servicing (long and short term)	\$ 42,086	\$ 41,666	\$ 39,224	\$ 37,518	\$ 36,862
Total operating expenses	473,429	391,509	419,965	401,742	394,956
PERCENTAGE	8.89%	10.64%	9.34%	9.34%	9.33%

LEGAL DEBT LIMIT

	2023	2022	2021	2020	2019
Debt limit	\$ 1,021,674	\$ 1,051,870	\$ 887,636	\$ 705,032	\$ 778,402
Total debt	389,654	418,581	406,316	376,072	353,727
Loan guarantees	1,072	1,157	1,244	1,740	1,740
Credit card debt	726	841	-	-	-
Letters of credit issued	45,360	45,360	46,960	46,960	47,310
AMOUNT UNDER LIMIT	\$ 584,862	\$ 585,931	\$ 433,116	\$ 280,260	\$ 375,625
Percentage used	42.75%	44.30%	51.21%	60.25%	51.74%

DEBT SERVICING LIMIT

	2023	2022	2021	2020	2019
Debt servicing limit	\$ 178,793	\$ 184,077	\$ 155,336	\$ 123,381	\$ 136,220
Actual debt servicing (short and long term)	42,086	41,666	39,224	37,518	36,862
AMOUNT UNDER LIMIT	\$ 136,707	\$ 142,411	\$ 116,112	\$ 85,863	\$ 99,358
Percentage used	23.54%	22.64%	25.25%	30.41%	27.06%

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019 - 2023

(In thousands of dollars)

CONSOLIDATED EXPENSES BY OBJECT

	2023 Budget	2023 Actual	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Salaries, wages and benefits	\$ 138,958	\$ 141,168	\$ 133,412	\$ 128,326	\$ 131,885	\$ 134,236
Contracted and general services	57,392	58,868	50,157	43,289	47,096	48,291
Materials, goods and utilities	28,873	24,209	24,246	28,562	26,982	29,729
Provisions for allowances	284	404	650	1,238	1,124	998
Bank charges and short-term interest	970	397	358	468	386	334
Interest on long-term debt	12,951	13,014	12,081	11,488	11,382	10,963
Grants and other transfers	4,040	4,703	4,078	5,199	5,429	3,817
Other operating expenses	154,957	123,469	150,937	85,893	47,682	53,912
Amortization of tangible capital assets	83,871	83,309	88,320	79,539	79,292	79,325
Amortization of long-lived asset	3,358	1,363	1,934	5,374	11,688	8,023
Accretion on asset retirement obligations	4,174	7,951	10,751	10,058	10,309	10,182
Impairments (recoveries)	-	13,941	(84,424)	13,574	17,187	14,550
Loss on disposal of tangible capital assets	-	699	1,454	2,609	11,389	1,227
Loss (gain) on disposal of long-lived assets	-	13	(2,445)	4,348	(89)	(631)
Gain on disposal of long-lived liabilities	-	(79)	-	-	-	-
TOTAL EXPENSES	\$ 489,828	\$ 473,429	\$ 391,509	\$ 419,965	\$ 401,742	\$ 394,956

SCHEDULE OF CAPITAL SEGMENTED REPORTING (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2019-2023

(In thousands of dollars)

	2023	2022	2021	2020	2019
Capital Expenditures:					
Municipal services	\$ 28,927	\$ 29,439	\$ 40,905	\$ 36,530	\$ 42,829
Gas utility	6,380	3,604	2,603	4,129	12,545
Electric utility	16,005	27,115	31,986	37,537	33,121
Environmental utilities	22,881	15,610	23,824	27,000	27,780
Land	(307)	674	4,370	732	25
Total Capital Spending	73,886	76,442	103,688	105,928	116,300
Financing Sources Applied:					
Contributed assets - private	625	133	2,195	243	538
Debt - ACFA	-	41,741	37,940	38,472	51,277
Debt - internal	1,239	5,569	4,459	5,212	7,426
Developers levies	1,321	896	1,675	6,962	4,498
Government transfers	24,935	26,565	29,455	19,470	20,217
From (to) operating	32,005	14,622	14,997	17,763	27,162
From (to) reserves	12,795	12,234	4,248	8,190	26,316
Total Funding	72,920	101,760	94,969	96,312	137,434
Increase (decrease) in fund balance	(966)	25,318	(8,719)	(9,616)	21,134
Capital fund balance, beginning of year	30,897	5,579	14,298	23,914	2,780
Capital fund balance, end of year	\$ 29,931	\$ 30,897	\$ 5,579	\$ 14,298	\$ 23,914

OUR VISION

To make Medicine Hat a “community of choice.”

OUR MISSION

To deliver value through exceptional public service.

OUR VALUES

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

- Respect
- Integrity
- Accountability
- Courage
- Caring

MEDICINE HAT COUNCIL'S STRATEGIC PLAN 2023 - 2026

Six strategic priorities:

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

