Medicine Hat

CITY OF MEDICINE HAT

2024 FINANCIAL REPORT

For the Year Ended December 31, 2024
Medicine Hat, Alberta, Canada

City of Medicine Hat, Alberta, Canada

2024 FINANCIAL REPORT

For the year ended December 31, 2024

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 C. Hider
Councillor D. Hirsch

Energy, Land & Environment Committee
Councillor D. Hirsch, Chair
Councillor A. Van Dyke, Vice Chair
Councillor S. Sharps

Public Services Committee
Councillor C. Hider, Chair
Councillor R. Dumanowski, Vice Chair
Councillor R. Robins

Administrative Committee
L. Clark, Mayor
A. Mitchell, City Manager, Chair
J. Hutter, 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
T. Aaserud, City Clerk

SPECIAL COMMITTEES

Alberta Municipal Climate Leadership Council: Councillor A. Van Dyke

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

Inter-City Forum on Social Planning: Councillor A. Van Dyke

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

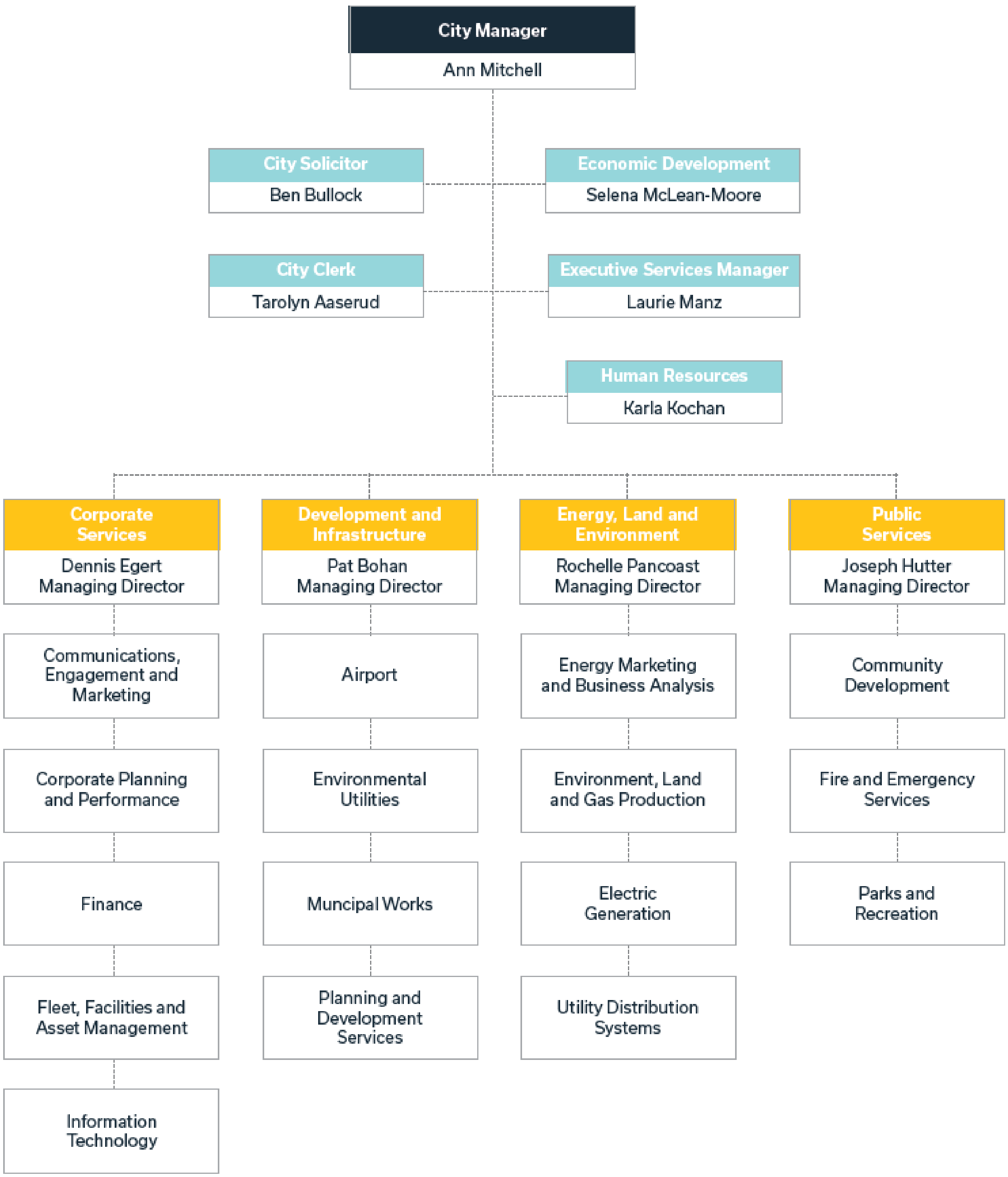
Southeast Alberta Rural Renewal Steering Committee: Mayor L. Clark

Subdivision & Devel. Appeal Board: Councillor C. Hider

Tourism Medicine Hat: Councillor C. Hider

Organizational Structure

As at December 31, 2024



CHIEF FINANCIAL OFFICER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2024

INTRODUCTION

I am pleased to submit the City of Medicine Hat Consolidated Financial Statements for the fiscal year ended December 31, 2024. MNP LLP has audited these financial statements and provided an unqualified audit opinion in their report dated April 22, 2025.

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, 2024. 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, 2024. 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.

Jilian Campbell

Jilian Campbell
Managing Director of Corporate Services/Chief Financial Officer
April 22, 2025

CANADIAN GFOA AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Canadian Award for Financial Reporting to the City of Medicine Hat for its Annual Financial Report for the fiscal year ended December 31, 2023, for the 22nd 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 2024, Council approved Policy # 0184 Enterprise Risk Management (ERM). The Policy establishes a structured and comprehensive approach to managing risks across the organization. It forms a framework for the systematic identification, assessment, and mitigation of risks across the organization, ensuring alignment with industry standards to support better decision-making and the City's strategic objectives.

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

(b) Operational Risk Management

As a result of 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.

(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, Apollo Global Management, Arrowstreet Capital, Brookfield Asset Management, Connor, Clark & Lunn Investment Management, Crestline Investors, Fidelity International, Igneo Infrastructure Partners, JP Morgan Investment Management, Manulife Investment Management, 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 Environment, Land & Gas Production department provides corporate support and ensures regulatory compliance with regard to environmental matters. The department completes the regulatory activities, supports the operating departments in completing their due diligence with respect to environmental activities, and provides current information on evolving and emerging environmental regulatory requirements. One of the goals is to keep City Council informed of the City's progress in striving for continual improvement in management systems and communication focusing on both compliance and proactive excellence in matters of environmental stewardship.

(e) Market Commodity Prices

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

MANAGEMENT REPORTING AND CONTROL

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

Strategic Planning and Budgeting

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

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

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

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

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

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

(b) Auditing

The Municipal Government Act requires municipal councils to appoint an independent auditor. MNP LLP was awarded a one-year Audit Contract in 2023 with an option to extend the engagement annually through 2027, subject to City Council's annual reappointment of auditors. City council approved MNP LLP's appointment for the 2024 audit.

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

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

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

FINANCIAL HIGHLIGHTS

Financial Trend Summary 2024

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 2024 the City experienced higher than expected annual surplus despite the external impact of continued inflationary pressures, market volatility impacting commodity prices and the Government of Alberta reduction in municipal funding. The higher surplus is primarily due to increased investment income due to higher returns and the recognition of gains as a result of rebalancing the portfolio, as well as the recovery (write-up) of oil and gas assets.

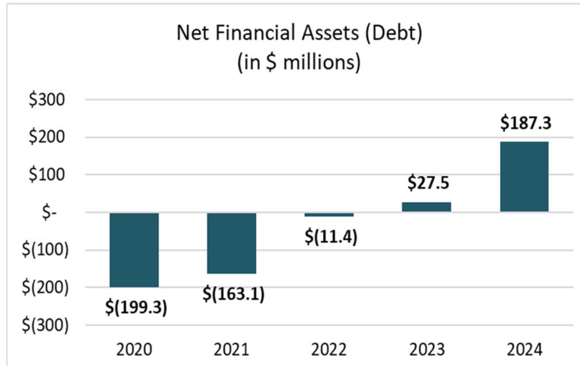
In 2024 the City's municipal budget anticipated a $5.2 million gap which was funded through financial reserves to achieve a balanced budget. The 2024 actual municipal deficit was $11.6 million, which required an additional transfer of $6.4 million from reserves to fully fund the deficit. The City continues 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 2024 the accelerated abandonment program is substantially complete with almost 1,975 wells fully abandoned and under reclamation. Technical and logistical issues continue to be examined for the remaining wells in the program and abandonment will occur as these issues are resolved. The program ensures the City is fostering the wellbeing of the environment by safely meeting end of life obligations for its energy development activities.

Financial Summary

In 2024 financial assets increased at a higher rate than financial liabilities resulting in a significant increase in net financial assets of $159.8 million from 2023. The increase in assets was due to an increase in financial investments as a result of higher investment returns. Liability decreases were a result of a decrease in deferred revenue, long term debt and asset retirement obligations. Net financial debt has seen a decrease over the past 5 years primarily due to increased financial investments and reductions in asset retirement obligations.

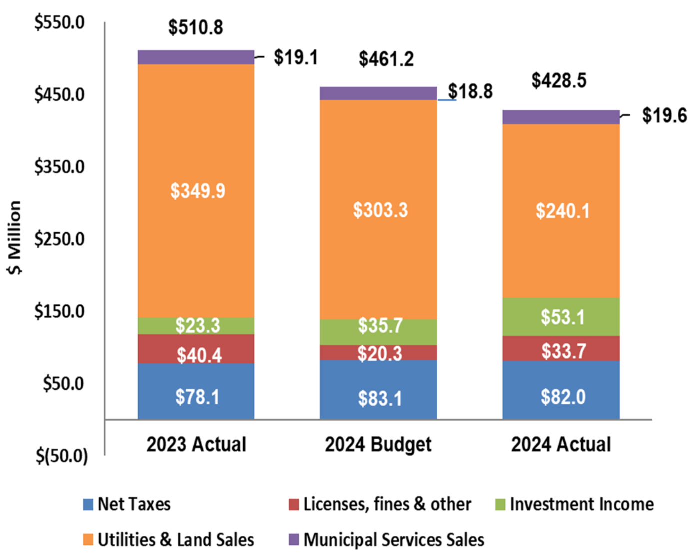
In thousands of dollars **Consolidated Financial Position**	**2024**	**2023**
Assets	$ 822,286	$ 800,350
Liabilities	634,991	772,818
Net financial assets	187,295	27,532
Non-financial assets	55,980	39,890
Net tangible capital assets	1,444,919	1,435,449
Total non-financial assets	1,500,899	1,475,339
Accumulated surplus	**$1,688,194**	**$1,502,871**



In thousands of dollars **Consolidated Operating**	**2024**	**2023**
Revenue	$428,482	$ 510,837
Expenses	314,546	473,429
Subtotal	113,936	37,408
Other revenue	31,412	25,560
Annual Surplus	**$145,348**	**$ 62,968**

The 2024 annual surplus was $145.3 million primarily due to higher investment income and a recovery (write-up) of oil and gas assets. Other revenue represents capital contributions and grant funding used for various capital projects such as: building rehabilitations; pedestrian trails and bridge rehabilitation; sidewalk, roads and storm sewer rehabilitation; wastewater treatment facility.

Revenues



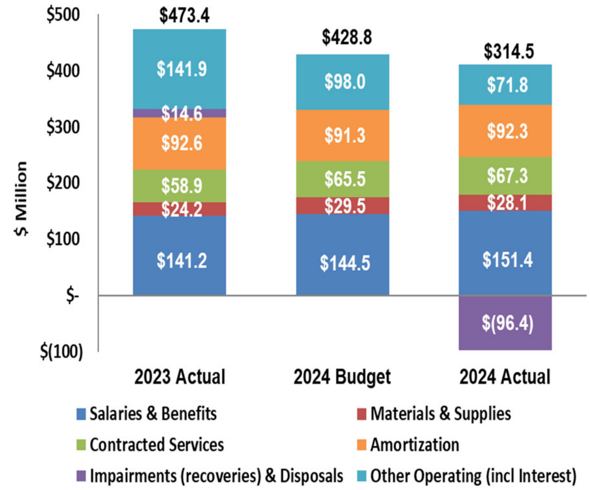
Revenue before capital contributions and grants was $32.7 million lower than budget ($428.5 million versus budget of $461.2 million). This is mainly due to Utilities and Land Sales revenues being lower than budget by $63.2 million as a result of lower electric revenues of $56.3 million and lower gas revenues of $5.5 million related to lower commodity prices. Investment income was higher than budget by $17.4 million as a result of higher than anticipated market performance as well as the recognition of gains as a result of rebalancing the portfolio.

Revenues in 2024 are lower than 2023 revenues by $82.3 million primarily due to lower gas and electric commodity prices offset by higher investment income.

Expenses

The Consolidated Schedule of Expenses by Object details 2024 actual ($314.5 million) and budget ($428.8 million) by expense type. Variances from budget for salaries and benefits is primarily related to higher wages due to additional staff to maintain current service levels and backfilling of positions. Other operating expenses are lower than budget due to lower natural gas purchases as a result of lower commodity prices. The recovery (write-up) in Oil and Gas assets was not budgeted in the year.

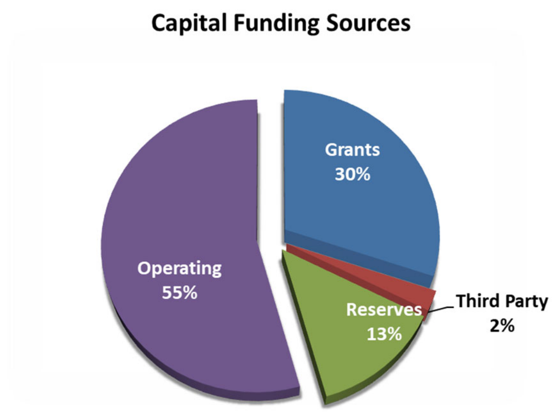
The 2024 actual expenses are lower than 2023 primarily due to recognizing a $96.4 million recovery (write-up) on oil and gas assets and lower other operating expenses related to lower gas purchases as a result of lower commodity prices. This is somewhat offset by higher wages as a result of additional staff to maintain current service levels and backfilling of positions.



Capital Expenditures

The City's approved 2024 budget for capital items was $109.4 million. Actual capital expenditures for the year were $112.8 million plus contributions from developers of $1.2 million. The current year expenditures also include $51.4 million for projects carried forward from previous budget years.

The 2024 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.

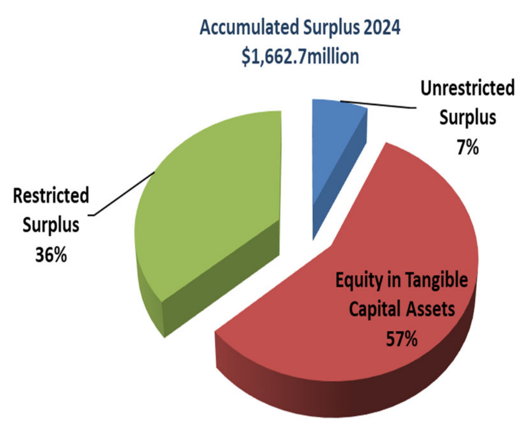


Accumulated Surplus

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 2024, the consolidated fund and equity balances increased by $145.3 million to $1,662.7 million.

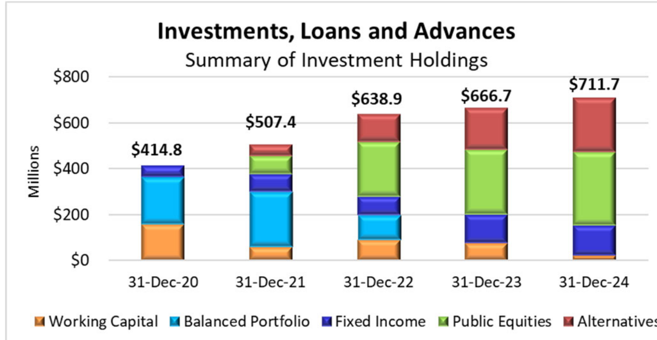
$114.5 million of the accumulated surplus is unrestricted. This unrestricted amount is used as working capital to fund day to day operating activities of the City. The restricted amount is $604.1 million and is largely dedicated to capital activities of the organization and the Medicine Hat Endowment Fund.

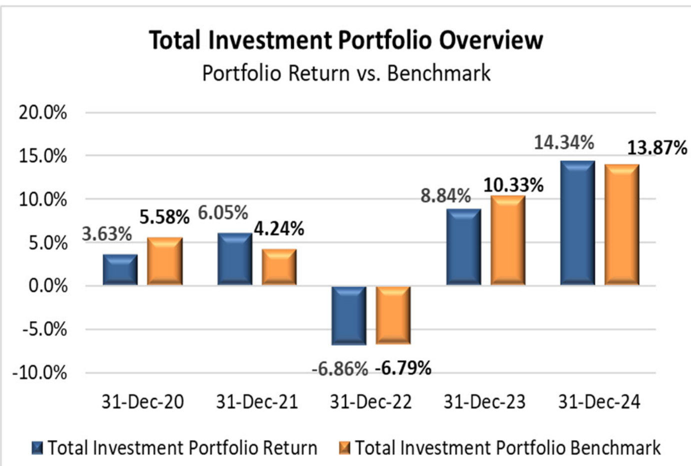
Equity in the City's tangible capital assets increased by $152.9 million to $944.1 million this year primarily as a result of the recovery (write-up) on oil and gas assets.



Investments

Investments, loans and advances increased $45.0 million from 2023 to $711.7 million largely due to a better market performance throughout 2024.





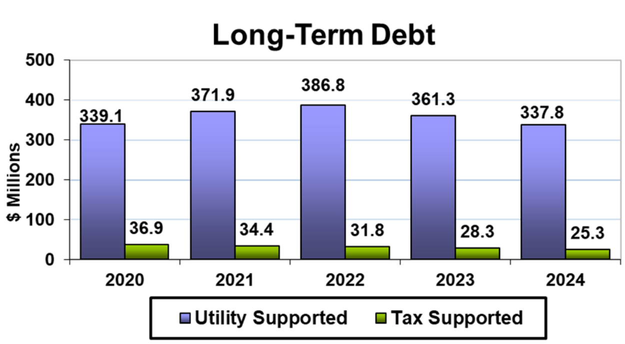
The City of Medicine Hat generated a total investment portfolio return of 14.34% for the year ended December 31, 2024, which is higher than the corresponding benchmark of 13.87%. The returns have seen an increase in 2024 as the markets continue to recover from the economic downturn in 2022.

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 2024, total long-term debt decreased $26.5 million to $363.1 million as a result of debt principal repayments of $26.5 million. No new debt was issued in 2024.

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 million, credit card debt of $0.6 million, and letters of credit issued of $63.6 million.



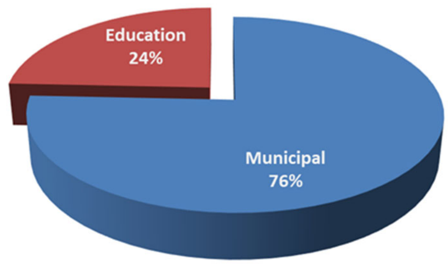
The City's 2024 debt limits are as follows:

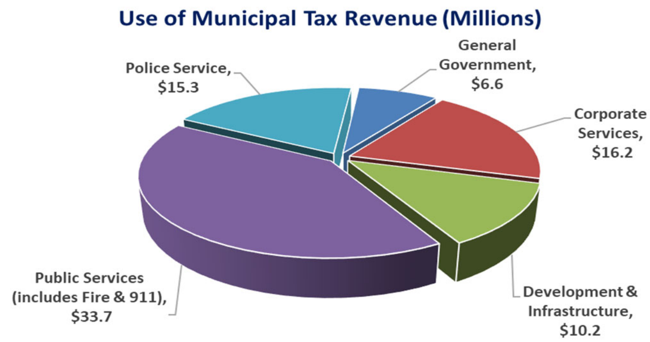
(in millions of dollars)		**2024**	
Debt Limit	$	857.0	
Actual Total Debt		428.3	**50%**
AMOUNT UNDER LIMIT	**$**	**428.7**	
Debt Servicing Limit	$	150.0	
Actual Debt Servicing	$	38.7	**26%**
AMOUNT UNDER LIMIT	**$**	**111.3**	

Use of Municipal Tax Revenue

Net municipal property tax revenue of $82.0 million is used to fund the consolidated general fund operating expenses of $211.0 million. Other revenue sources mainly include investment interest, sales, government grants, fees and permits.

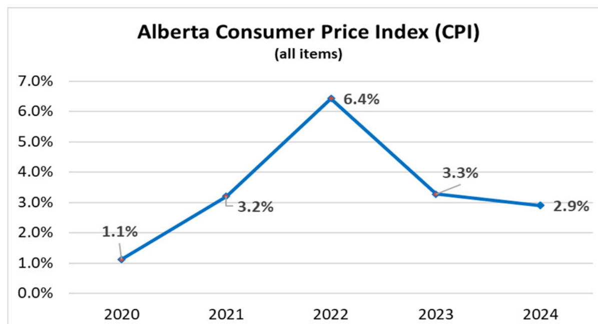
Where our municipal property tax dollars went in 2024.

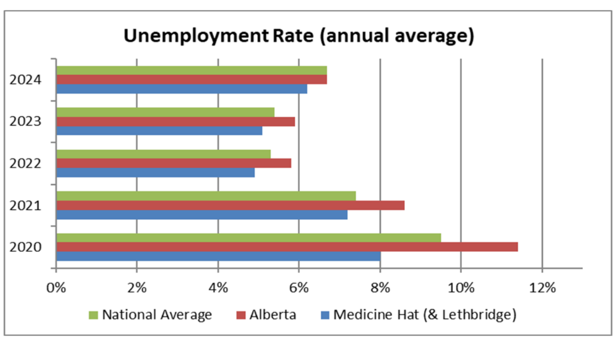




Economic Indicators

Alberta Consumer Price Index (CPI) saw an increase in 2021 and 2022 with a decline in 2023 and 2024 as the economy started to recover from the past two years.

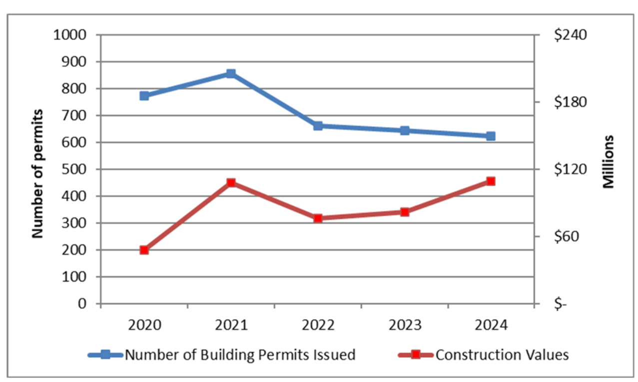




The combined unemployment rate for the Medicine Hat and Lethbridge region at the end of 2024 was 5.4%, while the 2024 average was 6.2%. The average Alberta and Canada unemployment rates for 2024 were 6.7%. The increase in 2024 is due to more individuals entering the workforce and less jobs being available.

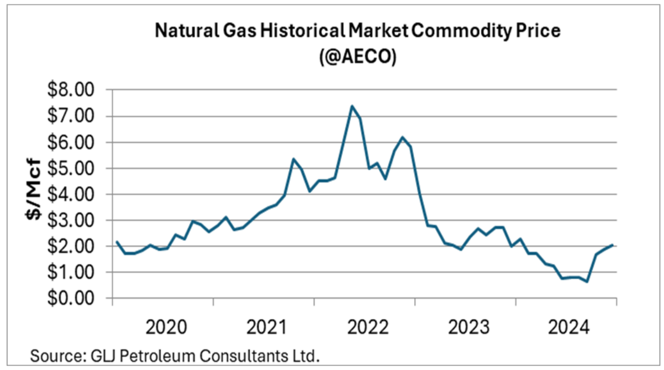
Number of Building Permits Issued and Related Construction Values

In 2024, the number of building permits issued decreased to 622 primarily due to a decrease in new development. The related estimated value of construction in 2024 saw an increase from prior year to $109 million due to higher construction values.

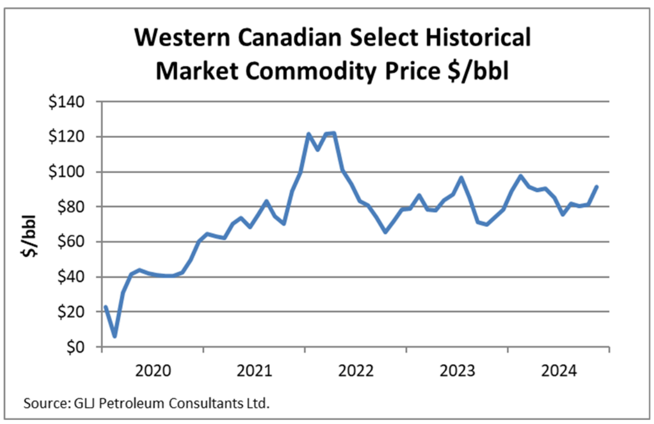


Gas

Natural gas prices are decreasing to pre-pandemic levels with 2024 settling at $2.05/GJ. Storage levels are reaching capacity and there is more supply than demand; this resulted in gas prices decreasing to $0.78/GJ in the fall. Prices are antipacted to increase slightly in 2025 as the Liquid Natural Gas (LNG) Canada facility is expected to be operational by middle of 2025. This facility will create new demand and export market aside from Eastern Canada and United States.



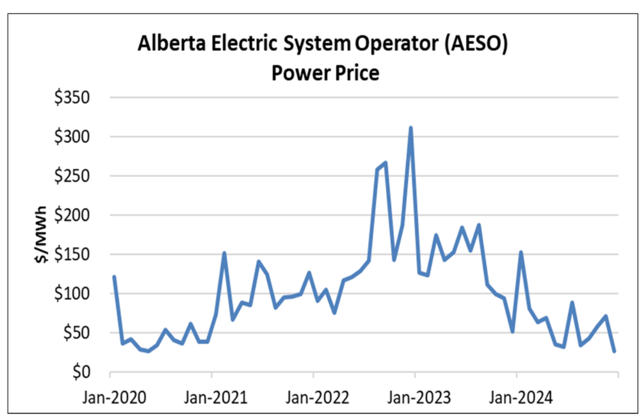
Oil



Oil prices have stabilized in 2024 compared to the fluctuations seen in prior years and are anticipated to remain stable through 2025. There is potential for prices to drop with US trade tariffs that would result in a further discount of $2 to $5. City of Medicine Hat has limited oil exposure. There are only two remaining oil wells in service as the Manyberries field is currently in the abandonment and reclamation stage.

Power

Power prices in 2024 decreased compared to the previous two years and are trending back to 2016 price levels. System Marginal Price (SMP) ended 2024 at $62.74/MWh which is a $70.89/MWh drop from 2023. The decrease was caused by the Alberta grid which had three major generation projects come online in 2024 that resulted in ~2500 MW’s of dispatchable generation and ~2000 MW’s of renewable generation. In addition, Alberta Electrical System Operator (AESO) was tasked by the Minister of Affordability to redesign Alberta power markets which has created uncertainty amongst generators and has impacted demand.



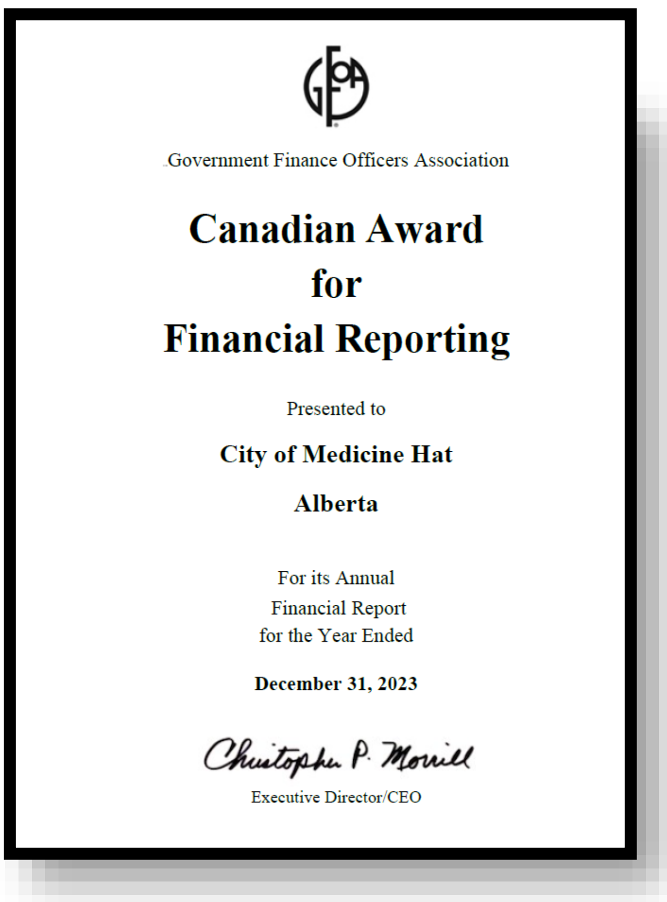
Financial Statements and Notes

Government Finance Officers Association Awards

The City of Medicine Hat has provided award winning financial reporting for the past 22 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

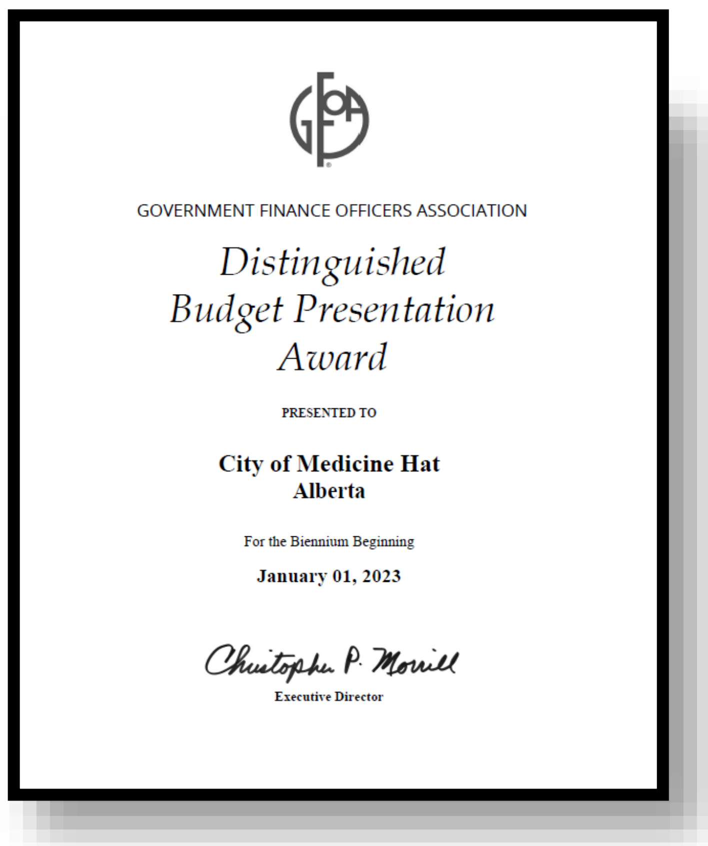
City of Medicine Hat

Alberta

For its Annual Financial Report for the Year Ended

December 31, 2023

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

Executive Director

Management's Responsibility for Reporting
For the Year Ended December 31, 2024

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, 2024 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.

Ann Mitchell

City Manager

Jilian Campbell

Chief Financial Officer

April 22, 2025

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 consolidated financial statements of City of Medicine Hat and its subsidiaries (the "City"), which comprise the consolidated consolidated statement of financial position as at December 31, 2024, and the consolidated consolidated statements of operations, remeasurement gains and losses net financial assets and cash flows for the year then ended, and notes and schedules to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated consolidated financial position of the City as at December 31, 2024, and the results of its consolidated consolidated operations consolidated net financial assets and its consolidated consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor’s report is included within the 2024 Financial Report information.

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

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

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

MNP LLP
666 - 4th Street SE, Medicine Hat AB,   T1A 0K9
1.877.500.0786   T: 403.527.4441   F: 403.526.6218

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

MNP

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

MNP LLP

April 22, 2025

Chartered Professional Accountants

MNP

CONSOLIDATED

Statement of Financial Position

As at December 31, 2024 (in thousands of dollars)

	2024	2023
Financial assets		
Cash and cash equivalents (Note 2)	$ 42,058	$ 66,386
Accounts receivable, net of allowances (Note 3)	53,968	51,796
Investments, loans and advances (Note 4)	711,720	666,659
Land and other assets held for resale (Note 5)	10,691	10,333
Inventories for resale (Note 6)	106	144
Deposits (Note 7)	3,743	5,032
Total financial assets	822,286	800,350
Liabilities		
Trade accounts payable	45,535	30,480
Accrued liabilities (Note 8)	24,439	21,300
Deferred revenue (Note 9)	27,961	45,048
Long-term debt (Note 11)	363,118	389,654
Asset retirement obligation (Note 12)	137,672	254,568
Other long-term liabilities (Note 13)	36,266	31,768
Total liabilities	634,991	772,818
Net financial assets	187,295	27,532
Non-financial assets		
Inventories for consumption	19,086	18,633
Prepaid assets	17,913	3,697
Land held for future development (Note 14)	18,981	17,560
Tangible capital assets (Schedule 1) (Note 15)	1,444,919	1,435,449
Total non-financial assets	1,500,899	1,475,339
Total accumulated surplus	**$ 1,688,194**	**$ 1,502,871**
Accumulated surplus consists of the following:		
Accumulated surplus (Note 16)	1,662,749	1,517,401
Accumulated remeasurement gains (losses)	25,445	(14,530)
Total accumulated surplus	**$ 1,688,194**	**$ 1,502,871**

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, 2024 (in thousands of dollars)

	2024 Budget	2024 ACTUAL	2023 ACTUAL
Revenue (Schedule 4)			
Municipal taxes (Schedule 2)	$ 83,069	$ 81,988	$ 78,137
Sale of services			
General Government	18,793	19,606	19,117
Gas	28,463	22,990	27,618
Electric	211,861	155,573	262,830
Water	25,553	24,783	25,083
Sewer	23,616	24,160	23,397
Solid Waste	10,347	10,352	9,091
Land	3,493	2,282	1,891
Other income			
Investment income	35,700	53,140	23,332
Licenses, fines and penalties	6,045	5,351	4,464
Insurance recovery	80	333	129
Development levies	-	1,058	1,321
Government transfers for operating (Schedule 3)	5,720	7,984	12,947
Other	8,464	18,882	21,480
Total revenue	461,204	428,482	510,837
Expenses (Schedule 4 and Schedule 5)			
General Government	208,238	210,972	227,251
Gas	84,593	(24,817)	101,755
Electric	91,270	86,429	102,804
Water	18,350	18,038	17,722
Sewer	15,439	15,255	15,384
Solid Waste	6,667	7,385	7,084
Land	4,267	1,284	1,429
Total expenses	428,824	314,546	473,429
Excess of revenue over expenses - before other revenue	32,380	113,936	37,408
Other revenue (Schedule 4)			
Contributed tangible capital assets	-	1,195	625
Government transfers for capital (Schedule 3)	10,815	30,217	24,935
Total other revenue	10,815	31,412	25,560
Annual surplus	43,195	145,348	62,968
Accumulated surplus, beginning of year	1,517,401	1,517,401	1,454,433
Accumulated surplus, end of year	**$ 1,560,596**	**$ 1,662,749**	**$ 1,517,401**

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, 2024 *(in thousands of dollars)*

	2024 Budget	2024	2023
Annual surplus	$ 43,195	$ 145,348	$ 62,968
Amortization of tangible capital assets	86,056	84,605	84,672
Decrease (increase) in tangible capital assets	-	115,326	(18,783)
Impairments (recoveries)	-	(96,419)	13,941
Loss on disposal of tangible capital assets	-	802	712
Developers contribution of tangible capital assets	-	(1,195)	(625)
Acquisition of tangible capital assets	(109,357)	(112,790)	(85,431)
Proceeds from sale of tangible capital assets	-	515	83
	19,894	136,192	57,537
Acquisition of inventories and supplies	(7,790)	(7,790)	(9,765)
Net acquisition of land held for future development	(2,088)	(1,735)	(272)
Acquisition of prepaid assets	(20,554)	(20,554)	(14,273)
Consumption of inventories and supplies	7,337	7,337	6,752
Use of prepaid assets	6,338	6,338	13,493
Accumulated remeasurement gains (losses)	-	39,975	(14,530)
	(16,757)	23,571	(18,595)
Increase in net financial assets	3,137	159,763	38,942
Net financial assets (debt), beginning of year	27,532	27,532	(11,410)
Net financial assets, end of year	**$ 30,669**	**$ 187,295**	**$ 27,532**

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

CONSOLIDATED

Statement of Remeasurement Gains and Losses

For the year ended December 31, 2024 ***(in thousands of dollars)***

	2024 ACTUAL	2023 ACTUAL
Accumulated remeasurement gains (losses), beginning of the year	$ (14,530)	$ (51,479)
Unrealized gains (losses) attributable to:		
Foreign exchange	11,122	(1,759)
Short-term investments		
Investments	(9,890)	12,525
Long-term investments		
Designated fair value	1,255	(19)
Equity instruments	73,596	31,820
	76,083	42,567
Realized (gains) losses, reclassified to the statement of operations:		
Foreign exchange	336	200
Short-term investments	(1,114)	(4,813)
Long-term investments	(35,330)	(1,005)
	(36,108)	(5,618)
Net change in remeasurement gains for the year	39,975	36,949
Accumulated remeasurement gains (losses), end of the year	**$ 25,445**	**$ (14,530)**

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

CONSOLIDATED

Statement of Cash Flows

For the year ended December 31, 2024 *(in thousands of dollars)*

	2024	2023
Net inflow (outflow) of cash related to the following activities:		
Operating		
Annual surplus	$ 145,348	$ 62,968
Non-cash items included in deficiency of revenues over expenses:		
Amortization of tangible capital assets	84,605	84,672
Decrease (increase) in tangible capital assets	115,326	(18,783)
Impairments (recoveries)	(96,419)	13,941
Loss on disposal of tangible capital assets	802	712
Developers contribution of tangible capital assets	(1,195)	(625)
Non-cash items relating to capital and investing activities:		
Unrealized gain (loss) on financial instruments	39,975	(14,530)
Non-cash changes to operations (net change):		
Decrease (increase) in accounts receivable	(2,172)	45,727
Decrease (increase) in land and other assets held for resale	(672)	190
Decrease in inventories for resale	38	7
Decrease (increase) in deposits	1,289	(3,866)
Increase (decrease) in trade accounts payable	15,055	(25,118)
Increase (decrease) in accrued liabilities	3,139	(5,117)
Decrease in deferred revenue	(17,087)	(13,420)
Increase (decrease) in asset retirement obligations	(116,896)	37,482
Increase in other long-term liabilities	4,498	4,011
Increase in inventories for consumption	(453)	(3,013)
Increase in prepaid assets	(14,216)	(780)
Increase in land held for future development	(1,421)	(272)
Cash provided by operating transactions	159,544	164,186
Capital		
Acquisition of tangible capital assets	(112,790)	(85,431)
Proceeds from sale of tangible capital assets	515	83
Cash applied to capital transactions	(112,275)	(85,348)
Investing		
Increase in investments, loans and advances	(45,061)	(27,713)
Cash applied to investing transactions	(45,061)	(27,713)
Financing		
Long-term debt issued and assumed	-	-
Long-term debt repaid	(26,536)	(28,927)
Cash applied to financing transactions	(26,536)	(28,927)
Change in cash and equivalents during the year	(24,328)	22,198
Cash and cash equivalents, beginning of year	66,386	44,188
Cash and cash equivalents, end of year	**42,058**	**66,386**

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

Schedule 1

CONSOLIDATED

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31, 2024 *(in thousands of dollars)*

	Land	Land Improvements	Buildings	Engineered Structures	Gas & Oil Properties	Machinery, Equipment & Furnishings	Vehicles	2024	2023
Cost:									
Balance, beginning of year	$ 48,448	$ 175,713	$ 398,469	$ 1,648,114	$ 768,251	$ 140,782	$ 56,820	$ 3,236,597	$ 3,153,891
Acquisition of tangible capital assets	501	1,579	23,296	49,064	1,029	3,559	2,400	81,428	72,975
Construction-in-progress	-	5,111	450	25,245	(340)	2,983	863	34,312	13,081
Reclassify to held for sale	-	-	-	-	(1,755)	-	-	(1,755)	-
Disposal of tangible capital assets	-	(84)	(542)	(3,142)	-	(1,813)	(756)	(6,337)	(3,012)
Recoveries (impairment) of tangible capital assets	-	-	-	47	96,733	(47)	-	96,733	(19,121)
Increase (decrease) in tangible capital assets	-	-	(714)	(1,330)	(113,282)	-	-	(115,326)	18,783
Balance, end of year	48,949	182,319	420,959	1,717,998	750,636	145,464	59,327	3,325,652	3,236,597
Accumulated amortization:									
Balance, beginning of year	-	83,689	139,821	771,940	683,214	87,098	35,386	1,801,148	1,720,069
Annual amortization	-	7,921	10,535	47,426	5,144	9,924	3,655	84,605	83,309
Accumulated amortization on disposals	-	(84)	(280)	(2,563)	-	(1,417)	(676)	(5,020)	(2,230)
Balance, end of year	-	91,526	150,076	816,803	688,358	95,605	38,365	1,880,733	1,801,148
Net book value of tangible capital assets (Note 15)	**$ 48,949**	**$ 90,793**	**$ 270,883**	**$ 901,195**	**$ 62,278**	**$ 49,859**	**$ 20,962**	**$ 1,444,919**	**$ 1,435,449**
2023 net book value of tangible capital assets (Note 15)	$ 48,448	$ 92,024	$ 258,648	$ 876,173	$ 85,038	$ 53,684	$ 21,434	$ 1,435,449	

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

CONSOLIDATED

Schedule 2

Schedule of Municipal Taxes

For the year ended December 31, 2024

(in thousands of dollars)

	2024 Budget	2024	2023
Taxation			
Real property taxes	$ 110,308	$ 109,269	$ 103,997
Linear property taxes	628	628	639
Special assessments and local improvement taxes	236	224	279
	111,172	110,121	104,915
Requisitions			
Alberta School Foundation	22,757	22,780	21,582
Catholic Board of Education	4,039	4,045	3,918
Cypress View Foundation	1,275	1,276	1,247
Designated Industrial Property	32	32	31
	28,103	28,133	26,778
Municipal taxes	**$ 83,069**	**$ 81,988**	**$ 78,137**

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

CONSOLIDATED

Schedule 3

Schedule of Government Transfers

For the year ending December 31, 2024

(In thousands of dollars)

	2024			
	Provincial	Federal	Total	2023
Unconditional operating transfers				
	$ 858	$ 85	**943**	$ 963
Conditional operating				
Active Transportation Fund	-	18	**18**	32
Alberta Community Partnership (ACP)	127	-	**127**	3
Alberta Energy - Electricity & Natural Gas Rebate Program	-	-	**-**	6,463
Alberta Foundation of the Arts Travelling Exhibition Program	223	-	**223**	222
Alberta Health - SafeLink Alberta Society (Needle Debris Mitigation)	54	-	**54**	54
Alberta Labour Market Partnership Program (LMPP)	57	-	**57**	-
Alberta Municipalities - Alberta Day	10	-	**10**	-
Alberta Museums Association	25	-	**25**	-
Alberta Regional Airport Development	150	-	**150**	-
All Hazards Incident Management Team (AHIMT)	16	-	**16**	80
Canada Arts Presentation Fund	-	48	**48**	-
Canada Council for the Arts	-	60	**60**	60
Canadian Council of Archives	-	9	**9**	10
Canadian Heritage Grant	-	23	**23**	197
Canadian Museums Association	-	13	**13**	8
Fair Entry - Low Income Transit Pass	175	-	**175**	269
Family and Community Support Services (FCSS)	1,671	-	**1,671**	1,653
Federation of Canaidan Municipalities - Green Municipal Fund	-	56	**56**	-
Fire Servies Training Grant	10	-	**10**	-
Local Government Fiscal Framework (LGFF)	834	-	**834**	-
Municipal Climate Change Action Centre – Climate Resilience Capacity Building Program	-	-	**-**	80
Municipal Policing Assistance	1,412	-	**1,412**	1,412
Municipal Sustainability Initiative Operating (MSIO)	789	-	**789**	419
Northern and Regional Economic Development Program (NRED)	180	-	**180**	-
Settlement, Integration, and Language Program (SILP)	87	-	**87**	16
Victims of Crime Fund Grant	278	-	**278**	279
Western Economic Diversification Canada - Regional Air Transportation Initiative	-	-	**-**	39
Wind Power Development	3	-	**3**	-
Young Canada Works	8	-	**8**	-
911 Mobility Grant	705	-	**705**	688
	7,672	312	**7,984**	12,947
Conditional capital				
Airport Capital Assistance Program (ACAP)	-	-	**-**	447
Canada Community-Building Fund (CCBF)	6,088	-	**6,088**	6,658
Climate Change & Emissions Management Corp (CCEMC)	139	-	**139**	60
Enabling Accessibility Fund (EAF)	-	-	**-**	52
Federal Small Communities Fund (SCF)	-	400	**400**	-
Innovation and Clean Growth in the Natural Resources Sectors - Energy Innovation Program (EIP NRCan)	-	80	**80**	559
Investing in Canada Infrastructure Program (ICIP)	-	112	**112**	359
Local Government Fiscal Framework (LGFF)	5,109	-	**5,109**	-
Major Community Facilities Program (MCFP)	-	-	**-**	20
Municipal Climate Change Action Center (MCCAC)	(8)	-	**(8)**	8
Municipal Sustainability Initiative (MSI)	18,297	-	**18,297**	16,772
	29,625	592	**30,217**	24,935
Total government transfers	**$ 37,297**	**$ 904**	**$ 38,201**	$ 37,882

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, 2024 *(in thousands of dollars)*

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

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

Consolidated Schedule of 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	40,840	-	6,434	26,019	5,139	4,853	1,076	311	-	84,672
Impairments/ (recoveries)	-	-	13,941	-	-	-	-	-	-	13,941
Loss on disposal of tangible capital assets	213	-	45	13	12	348	2	-	-	633
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 5

Schedule of Expenses By Object

For the year ended December 31, 2024

(in thousands of dollars)

	2024 Budget	2024	2023
Expenses			
Salaries, wages and benefits	$ 144,481	$ 151,419	$ 141,168
Contracted and general services	65,458	67,348	58,868
Materials, goods and utilities	29,502	28,137	24,209
Provisions for allowances	285	788	404
Bank charges and short term interest	488	452	397
Interest on long-term debt	15,508	12,060	13,014
Total grants and other transfers	4,551	5,016	4,703
Other operating expenses (Schedule 5A)	77,252	52,598	123,469
Amortization of tangible capital assets	86,056	84,605	84,672
Accretion on asset retirement obligations	5,243	7,740	7,951
Impairments (recoveries)	-	(96,419)	13,941
Loss on disposal of tangible capital assets	-	802	633
Total expenses	**$ 428,824**	**$ 314,546**	**$ 473,429**

CONSOLIDATED

Schedule 5A

Schedule of Other Operating Expenses

For the year ended December 31, 2024

(in thousands of dollars)

	2024 Budget	2024	2023
Other Operating Expenses			
Natural Gas & Oil asset retirement obligation loss on settlement	$ -	$ 7,180	$ 11,704
Natural Gas purchases	50,458	26,442	41,395
Natural Gas & Oil surface and mineral leases	7,007	6,458	6,576
Natural Gas & Oil royalties	188	98	273
Taxes or taxes in lieu	13,716	9,084	21,717
Natural Gas & Oil transportation	228	331	282
Other	5,655	3,005	41,522
Total other operating expenses	**$ 77,252**	**$ 52,598**	**$ 123,469**

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

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF CONSOLIDATION

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

1. **Municipal Services**

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

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

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

Interdepartmental and organizational transactions and balances are eliminated.

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

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

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

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

(B) BASIS OF ACCOUNTING

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

1. **Revenues**

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

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

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

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

2. Tax Revenues

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

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

3. Expenses

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

(C) CASH AND CASH EQUIVALENTS

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

(D) INVESTMENTS, LOANS AND ADVANCES

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the 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 weighted-average cost method.

(G) LAND HELD FOR RESALE

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

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

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

(H) PENSION EXPENSES

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

(I) OVER-LEVIES AND UNDER-LEVIES

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

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

(J) JOINT VENTURE ACCOUNTING

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

(K) ASSET RETIREMENT OBLIGATION (ARO)

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

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

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

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

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

(L) NON-FINANCIAL ASSETS

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

1. Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

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

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

The City has grouped its development and production assets into the 10 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.

(ii) Subsequent Costs

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

(iii) Depletion and Depreciation

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

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

(iv) Impairment

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

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

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

(M) LOAN GUARANTEES

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

(N) USE OF ESTIMATES AND JUDGEMENT

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

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

1. Gas Utility

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

(O) FUTURE ACCOUNTING CHANGES

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

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

2. Financial Statement Presentation (PS 1202)

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

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

(P) ADOPTION OF NEW ACCOUNTING STANDARDS

1. PS 3400– Revenue

On January 1, 2024, the City adopted Public Accounting Standards PS 3400 Revenue, a standard establishing guidance on how to account for and report on revenue. The standard provides a framework for recognizing, measuring and reporting revenues that arise from transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

The City adopted this standard on a prospective basis and as a result, 2023 comparatives are not restated. There is no financial statement impact on the consolidated financial statements from the application of the new accounting standard.

2. PSG-8 – Purchased Intangibles

On January 1, 2024, the City adopted Public Sector Guideline (PSG) 8, Purchased Intangibles. The guideline provides direction on accounting for and reporting on purchased intangibles. It provides clarity on the recognition criteria, along with instances of assets that would not meet this definition.

The City adopted this standard on a prospective basis and as a result, 2023 comparatives are not restated. The City did not have any significant purchases of intangibles in the year so there was no impact on the consolidate financial statements as a result of the adoption of this standard.

(in thousands of dollars)

3. PS 3160 – Public Private Partnerships

On January 1, 2024, the City adopted Public Accounting Standards PS 3160 Public Private Partnerships, a standard which established guidance on how to account for and report on Public Private Partnerships.

The City adopted this standard on a prospective basis and as a result, 2023 comparative are not restated. The City did not identify any Public Private Partnerships and therefore the result of adopting the standard is nil.

NOTE 2: CASH AND CASH EQUIVALENTS

	2024	2023
Cash	$ 38,296	$ 44,533
Designated assets	3,762	21,853
TOTAL	**$ 42,058**	**$ 66,386**

Designated assets represent restricted amounts aggregating $3,762 (2023 - $21,853) for programs held exclusively for eligible capital projects (Note 9). Interest earned on designated assets was at an average interest rate of 5.08% (5.14% - 2023) and amounted to $1,448 for 2024 (2023 – $2,156).

NOTE 3: ACCOUNTS RECEIVABLE, net of allowances

	2024	2023
Current Taxes Receivable	$ 5,350	$ 5,200
Trade Accounts Receivable	50,239	47,752
Less: Allowance for Doubtful Accounts	(1,621)	(1,156)
TOTAL	**$ 53,968**	**$ 51,796**

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 awarded 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 $328 (2023 - $441); the tax receivable written off was $nil (2023 - $nil).

(in thousands of dollars)

NOTE 4: INVESTMENTS, LOANS AND ADVANCES

	2024		2023	
	Cost	Market Value	Cost	Market Value
Managed Portfolio Funds	$ 669,022	$ 683,568	$ 612,269	$ 593,606
Canadian Banks	27,665	27,665	45,000	45,000
Others	487	487	28,053	28,053
TOTAL	**$ 697,174**	**$ 711,720**	**$ 685,322**	**$ 666,659**

These investments include both internally and externally managed funds. Refer to Note 1D for more information on externally managed funds. The internally managed funds are invested in fixed income investments recorded at cost with interest rates from 4.00 percent to 5.65 percent (2023 – 5.70 percent to 6.45 percent) and mature in 2025 (2023 – mature in 2024). The investments have an average expected yield of 4.98 percent (2023 – 6.12 percent) and an average term of 0.56 (2023 – 0.66) years to maturity.

The composition of portfolio investments is as follows:

	2024				2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Fixed Income								
Canadian government and corporate	-	64,775	-	64,775	-	61,444	-	61,444
Foreign government and corporate	-	66,022	-	66,022	-	63,216	-	63,216
Pooled Canadian mortgages	-	-	68,405	68,405	-	-	63,842	63,842
Equities								
Canadian equities	37,380	-	-	37,380	44,555	-	-	44,555
Foreign equities	282,157	-	-	282,157	236,276	-	-	236,276
Other								
Cash and money market funds	27,665	-	-	27,665	70,411	-	-	70,411
Real estate	-	-	53,761	53,761	-	-	54,234	54,234
Infrastructure	-	-	91,640	91,640	-	-	62,291	62,291
Private credit	-	-	22,571	22,571	-	-	2,637	2,637
Derivatives	-	-	(2,656)	(2,656)	-	-	7,753	7,753
TOTAL	**$ 347,202**	**$ 130,797**	**$ 233,721**	**$ 711,720**	**$ 351,242**	**$ 124,660**	**$ 190,757**	**$ 666,659**

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

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

The amounts categorized as others in investments, loans and advances includes $389 (2023 - $2,549) of accrued realized gain on outstanding hedges, as well as loans receivables of $98 (2023 - $93). 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.

(in thousands of dollars)

	2024			2023		
	Balance	Valuation Allowance[1]	Principal Payments	Balance	Valuation Allowance[1]	Principal Payments
SALTA Gymnastics Club	-	-	-	-	-	7
Medicine Hat YMCA	-	-	-	-	6	132
Medicine Hat Curling Club [2]	98	-	-	98	-	-
TOTAL	**$ 98**	**$ -**	**$ -**	**$ 98**	**$ 6**	**$ 139**

[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, 2024.

[2] Medicine Hat Curling Club loan is due in 2034 with annual instalments of $11, bearing interest at 2.25%. The loan was extended by one year from 2033 to 2034 due to no payments being made in 2024.

NOTE 5: LAND AND OTHER ASSETS HELD FOR RESALE

Land and properties held for resale includes $8,936 of developed properties held for sale (2023 - $10,333) and $1,755 (2023 - $nil) of gas production assets held for sale. In 2024, the City entered into an agreement to divest of some of its gas production assets as described in Note 28.

NOTE 6: INVENTORIES FOR RESALE

	2024	2023
Food and Beverage Concessions	106	144

NOTE 7: DEPOSITS

	2024	2023
Clean Energy Improvement Program	$ 650	$ -
Postage	38	29
Refundable Containers	28	28
Gas Operating Deposits	6	6
Supply Transmission Deposit	976	1,038
Carbon Credits	2,034	3,912
Gas Royalty Deposits	11	19
TOTAL	**$ 3,743**	**$ 5,032**

The City has entered into carbon offset programs as part of its ongoing commitment to reducing its greenhouse gas emissions and supporting sustainable environmental practices; these programs generate Carbon Credits. Carbon Credits are adjusted annually to their prescribed market rate, which at December 31, 2024 was $0.080 per tonne (2023 - $0.065 per tonne).

(in thousands of dollars)

NOTE 8: ACCRUED LIABILITIES

		2024		2023
Wages and Salaries	$	6,719	$	5,139
Vacation Pay		7,261		7,075
Sick Bank		3,164		2,841
Interest on Long-Term Debt		1,385		1,501
Carbon Tax Levy		2,653		1,752
Other Liabilities		3,257		2,992
TOTAL	**$**	**24,439**	**$**	**21,300**

NOTE 9: DEFERRED REVENUE & GOVERNMENT TRANSFERS

(A) DEFERRED REVENUE

		Balance 2023		Additions 2024		Reductions 2024		Balance 2024
Unrestricted Funds								
Deposits	$	10,946	$	262	$	1,713	$	9,495
Deferred Revenue		5,796		2,863		2,165		6,494
Community Warmth Deposits		2		26		26		2
Bell West		10		-		-		10
Pitch Trust		2		-		-		2
Total Unrestricted Funds		**16,756**		**3,151**		**3,904**		**16,003**
Restricted Funds								
Active Transportation Fund		18		-		18		-
Alberta Community Partnership		147		-		127		20
Alberta Labour Market Partnership		65		-		57		8
Alberta Museums Association		25		25		25		25
All Hazards Incident Management Team (AHIMT) Grant		140		7		16		131
Canada Community- Building Fund (CCBF)		6,545		4,102		6,088		4,559
Canadian Heritage Foundation		23		12		23		12
Climate Change and Emissions Management Corporation (CCEMC) – Emissions Reduction Alberta (ERA)		-		152		139		13
Federation of Canadian Municipalities - Green Municipal Fund (FCM		-		984		56		928
Local Government Fiscal Framework (LGFF) - Capital		-		8,196		5,109		3,087
Municipal Sustainability Initiative - Capital		20,104		1,046		18,297		2,853
Municipal Sustainability Initiative - Operating		761		862		1,623		-
Northern and Regional Economic Development Program (NRED)		200		125		180		145
Settlement, Integration and Language Program (SILP)		264		-		87		177
Total Restricted Funds		**28,292**		**15,511**		**31,845**		**11,958**
TOTAL	**$**	**45,048**	**$**	**18,662**	**$**	**35,749**	**$**	**27,961**

Restricted funds are related to eligible projects as approved under their respective funding agreements. Unexpended restricted funds related to the advances are supported by cash and cash equivalents (Note 2) of $3,762 (2023 - $21,853) held exclusively for these projects. Included in restricted funds is $8,196 for Local Government Fiscal Framework – Capital in which funds have not yet been received.

(in thousands of dollars)

(B) GOVERNMENT TRANSFERS

Major government transfers recognized by the City during the year were: Canada Community Building Fund (used primarily for bridge infrastructure upgrades and recreation infrastructure), Local Government Fiscal Framework Capital Grant (used primarily for the rehabilitation of roads) and Municipal Sustainability Initiative Capital Grant (used primarily for rehabilitation of road and storm sewer infrastructure and rehabilitation of various administrative buildings and public facilities).

NOTE 10: SHORT-TERM DEBT

A combined Municipal Operating Loan Facility (Revolving) and Letter of Credit Facility are available to the City up to a maximum of $75 million, by way of prime rate based loans and/or Letters of Credit (in Canadian dollars). This facility is secured by Bylaw No. 4719. At December 31, 2024, there were Letters of Credit issued in the amount of $63,598 (2023 – $45,360) leaving an available Municipal Operating Loan Facility of $11,402 (2023 - $29,640).

A Corporate Credit Card Facility is available to the City up to a maximum of $1.5 million (2023 - $1.2 million). This facility is secured by Bylaw No. 4804. At December 31, 2024, there was outstanding credit card debt in the amount of $574 (2023 – $726).

NOTE 11: LONG-TERM DEBT

(A)

	2024	2023
Tax Supported	$ 25,351	$ 28,340
Utilities Rate Supported		
- Electric	132,517	142,264
- Gas	34,850	36,133
- Water	82,471	88,934
- Sewer	87,171	93,047
- Solid Waste	758	936
Total Utilities	337,767	361,314
TOTAL DEBT	**$ 363,118**	**$ 389,654**
Comprised of:		
- Alberta Capital Finance Authority	$ 343,118	$ 369,654
- Other Long Term-Debt	20,000	20,000
TOTAL DEBT	**$ 363,118**	**$ 389,654**

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

	Principal	Interest
2025	24,150	11,280
2026	24,104	10,457
2027	26,827	9,606
2028	25,372	8,760
2029	24,975	7,983
2030-2051	237,690	49,709
TOTAL	**$ 363,118**	**$ 97,795**

The debentures have interest payable at rates ranging from 1.79 percent to 6.25 percent (2023 - 1.79 percent to 6.25 percent) per annum before Provincial Subsidy and mature in periods 2025 through 2051 (2023 - 2024 through 2051). The average annual interest rate for 2024 is 3.41 (2023 – 3.48) 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 2024 was $12,060 (2023 – $13,014).

(C) DEBT PER CAPITA

(not in thousands of dollars)

	2024	2023
Tax Supported Debentures	$ 401	$ 448
Rate Supported Debentures	5,338	5,711
TOTAL	**$ 5,739**	**$ 6,159**

Debt per capita is based on the most recent census (2021) of 63,271.

(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.

	2024	2023
Debt Limit	$ 856,964	$ 1,021,674
Letters of Credit Issued (Note 10)	63,598	45,360
Corporate Credit Card Debt (Note 10)	574	726
Long-Term Debt (Note 11A)	363,118	389,654
Loan Guarantees (Note 11E)	984	1,072
AMOUNT UNDER LIMIT	**$ 428,690**	**$ 584,862**
Debt Servicing Limit	149,969	178,793
Actual Debt Servicing (Long and Short-Term Debt)	$ 38,693	$ 42,086
AMOUNT UNDER LIMIT	**$ 111,276**	**$ 136,707**

(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	2024 Maximum Loan Amount	2024 Balance	2023 Maximum Loan Amount	2023 Balance
Bylaw 4187	September 4, 2013	Connaught Golf & Country Club	965	561	965	610
Bylaw 4138	November 6, 2012	Medicine Hat Golf & Country Club	675	385	675	413
Bylaw 4436	June 20, 2017	Medicine Hat Golf & Country Club	100	38	100	49
TOTAL			**$ 1,740**	**$ 984**	**$ 1,740**	**$ 1,072**

The Loan Guarantees identified above are at various interest rates with a maximum repayment term of 20 years (2023 – 20 years). All loans are in good standing at December 31, 2024.

(in thousands of dollars)

NOTE 12: ASSET RETIRMEMENT OBLIGATIONS

	2023	Accretion Expense	Change in Estimate	Adjustments	2024
Asset Retirement Obligation – Gas and Oil Properties	$ 238,046	$ 7,417	$ (113,282)	$ (9,310)	$ 122,871
Asset Retirement Obligation – Asbestos Abatement	5,390	(48)	(714)	-	4,628
Asset Retirement Obligation – Sanitary Landfill	11,132	371	(1,330)	-	10,173
TOTAL	**$ 254,568**	**$ 7,740**	**$ (115,326)**	**$ (9,310)**	**$ 137,672**

Gas and Oil Properties

The scope of PS 3280 includes obligations related to the abandonment and reclamation of gas and oil properties. At December 31, 2024, the estimated cost of this liability was $122,871 (2023 - $238,046). At December 31, 2024, the expected timing of payment for settlement of the obligations ranges from 1 to 15 years (2023 - 1 to 15 years). The City has not designated assets for settling decommissioning obligations.

During the year ended December 31, 2024, the City accelerated the abandonment of certain wells and compressors which expedited the abandonment time frame. This resulted in a net reduction of $9,310 (2023 - $1,345), which comprised of $16,490 (2023 - $13,049) incurred to settle the obligations and $7,180 (2023 - $11,704) charged to operating expenses as a result of accelerating the timeline on the abandonment program.

During the year ended December 31, 2024, the City decreased the estimated cost of remediation for oil and gas wells, pipelines and facilities for Gas Production that are further along the reclamation process. This resulted in a net change in the estimated value of the liability of $113,282.

Asbestos Abatement

Asset Retirement Obligations associated with the City's Buildings is recognized per PS 3280. Relevant legislation including the *Asbestos Code of Practice* obligates the entity to remove asbestos in a specified manner once the assets are no longer held for productive use. At December 31, 2024, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to Asbestos Abatement were $5,841 (2023 - $5,841), calculated using an inflation rate of 2.50 (2023 - 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 $4,628 (2023 - $5,390) was 4.91 (2023 - 3.02) percent. At December 31, 2024, the expected timing of payment to settle decommissioning obligations ranges from 5 to 75 years.

During the year ended December 31, 2024, the City decreased the estimated timing of remediation for some of the buildings within Electric Distribution. This resulted in a net change in the estimated value of the liability of $714.

Sanitary Landfill

The scope of PS 3280 includes the restoration costs associated with solid waste landfills. The City is legally and contractually obligated to perform reclamation activities regardless of the volume of waste accepted once the asset is no longer held for productive use. PS 3280 obligates the City to recognize the total obligation once waste is accepted and to increase the carrying amount of the related asset by the same amount. At December 31, 2024, the estimated undiscounted cash flows required to settle decommissioning obligations with respect to the City's Sanitary Landfill were $12,729 (2023 – $12,729), calculated using an inflation rate of 2.50 (2023 – 2.46) per annum. The discount rate used to discount the estimated cash flows to arrive at an estimated value of the liability of $10,173 (2023 – $11,132) was 3.33 (2023 – 3.02) percent. At December 31, 2024, the expected timing of payment to settle decommissioning obligation is 32 years (2023 – 33 years).

During the year ended December 31, 2024, the City decreased the value of the undiscounted cash flow cost to retire the landfill. This resulted in a decrease to both the tangible capital asset and the asset retirement obligation of $1,330.

(in thousands of dollars)

NOTE 13: OTHER LONG-TERM LIABILITIES

		2024		2023
Offsite Contributions	$	24,905	$	22,397
Contaminated Sites - Abandonment & Restoration		414		357
Deferred Charges		1,426		1,364
Employee Retirement Benefits Liability (Note 19)		7,712		7,650
Federation of Canadian Municipalities		1,809		-
TOTAL	**$**	**36,266**	**$**	**31,768**

Contaminated Sites

At December 31, 2024 the estimated undiscounted cash flows required to settle the contaminated sites were $615 (2023 – $367), calculated using an inflation rate of 2.50 (2023 – 2.46) per cent per annum. The estimated fair value of this liability was $414 (2023 – $357) after discounting the estimated cash flows at a rate of 4.91 (2023 – 5.00) per cent. The amount of anticipated recoveries included in this estimate is $nil (2023 - $nil). The City has not designated assets for settling decommissioning obligations. The change in estimated cash flows required from 2023 to 2024, relates to revised cost estimates on former fuel station, electric transformer repair building, and former auto repair building. In 2024, the estimated cash flows were higher than 2023.

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, 2024, the expected timing of payment for settlement of the obligations ranges from 1 to 10 years (2023 – 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 2024.

Federation of Canadian Municipalities

In 2024 the City launched the Clean Energy Improvement Program (CEIP) to provide residential property owners an affordable, flexible, and streamlined approach to investing in energy efficiency and renewable energy upgrades. These costs are paid upfront by the City and repaid by the taxpayer through annual property tax assessments. To fund these costs, the City signed an agreement with Federation of Canadian Municipalities (FCM) to receive $3,619 in the form of a loan. At December 31, 2024, $1,809 had been received from FCM. Principal payments will be made over 20 years, with an interest rate of 2.00% per annum, and are not due until the program is complete (estimated completion in 2027).

NOTE 14: LAND HELD FOR FUTURE DEVELOPMENT

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

(in thousands of dollars)

NOTE 15: TANGIBLE CAPITAL ASSETS

	2024 Net Book Value	2023 Net Book Value
Land	$ 48,949	$ 48,448
Land Improvements	90,793	92,024
Buildings	270,883	258,648
Engineering Structures	901,195	876,173
Gas and Oil Properties	62,278	85,038
Machinery, Equipment and Furnishings	49,859	53,684
Vehicles	20,962	21,434
TOTAL	**$ 1,444,919**	**$ 1,435,449**

Tangible capital assets under construction are carried at cost. Amortization will commence with productive use. Included in the above are tangible capital assets under construction aggregating $80,613 (2023- $46,730). The value of tangible capital assets currently under construction and not being amortized increased $34,312 (2023 – increased by $13,081) as a net transfer to productive use. Contributed tangible capital assets received and recognized in the year from developers for various infrastructure works and parks is $1,195 (2023 - $625). 2024 contributed tangible capital assets relate to leasehold improvements from the local golf courses and land improvements to private subdivisions.

The City did recognize a recovery $96,733 (2023 – $19,121 impairment), which relates to the oil and gas tangible capital assets as a result of the increase in provable and probable reserves and the increase in current and forward market commodity price for natural gas and oil.

NOTE 16: ACCUMULATED 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 2024	Total 2023
Balance, beginning of year	$ 273,966	$ 452,208	$ 791,227	$ 1,517,401	$ 1,454,433
Annual surplus (deficit)	145,348	-	-	145,348	62,968
Unrestricted funds designated for future use	(205,708)	205,708	-	-	-
Restricted funds used for operations	53,830	(53,830)	-	-	-
Funded tangible capital assets	(122,414)	-	122,414	-	-
Contributed tangible capital assets	(1,195)	-	1,195	-	-
Disposal of tangible capital assets	1,317	-	(1,317)	-	-
Impairment (recoveries)	(96,419)	-	96,419	-	-
Annual amortization expense	84,605	-	(84,605)	-	-
Asset retirement obligation accretion expense	7,740	-	(7,740)	-	-
Long term debt repaid	(26,536)	-	26,536	-	-
2024 BALANCE, END OF YEAR	**$ 114,534**	**$ 604,086**	**$ 944,129**	**$ 1,662,749**	**$ 1,517,401**

(in thousands of dollars)

1. Unrestricted Surplus

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

UNRESTRICTED SURPLUS (DEFICIT)	2024	2023
General Government	$ 9,317	$ 9,171
Gas	51,311	215,971
Electric	(11,377)	(16,304)
Water	14,475	16,210
Sewer	7,464	7,137
Solid Waste	18,944	16,773
Land	24,400	25,008
TOTAL	**$ 114,534**	**$ 273,966**

2. Restricted Surplus

During the year, The City of Medicine Hat amended the Financial Reserve Policy No. 0168 and the Distributable Funds/Dividend Policy No. 0169, both of which were adopted by Council on October 7, 2024. The primary changes were to add two new reserves, the Abandonment Obligation and Energy Transition reserves and changed the name of the Heritage Savings Reserve to the Medicine Hat Endowment Fund.

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

The Financial Reserve Policy established the following reserves:

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

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

RESTRICTED SURPLUS - RESERVES	Balance 2023	2024 Additions	2024 Reductions	Balance 2024
Operating	$ 31,972	$ 19,696	$ 16,231	$ 35,437
Capital	226,713	19,357	37,599	208,471
Medicine Hat Endowment Fund	193,523	14,109	-	207,632
Abandonment Obligations	-	76,273	-	76,273
Energy Transition	-	76,273	-	76,273
TOTAL	**$ 452,208**	**$ 205,708**	**$ 53,830**	**$ 604,086**

(in thousands of dollars)

3. Equity in Tangible Capital Assets

EQUITY IN TANGIBLE CAPITAL ASSETS	2024	2023
Tangible capital assets (Schedule 1)	$ 3,325,652	$ 3,236,597
Accumulated amortization (Schedule 1)	(1,880,733)	(1,801,148)
Asset Retirement Obligation (Note 12)	(137,672)	(254,568)
Long-term debt (Note 11)	(363,118)	(389,654)
TOTAL	**$ 944,129**	**$ 791,227**

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:

	2024 Salary [1]	2024 Benefits & Allowances [2]	Total 2024	2023 Salary [1]	2023 Benefits & Allowances [2]	Total 2023
Mayor Linnsie Clark	$ 154	$ 33	$ 187	$ 148	$ 31	$ 179
Councillor:						
Dumanowski, R	50	16	66	48	13	61
Hirsch, D	49	11	60	48	11	59
Knodel, A	51	11	62	49	5	54
Hider, C	51	16	67	49	12	61
Robins, R	50	14	64	48	15	63
Sharps, S	51	24	75	49	20	69
Van Dyke, A	49	16	65	48	13	61
McGrogan, A	49	18	67	48	22	70
Chief Administrative Officer (CAO) [3]	317	44	361	280	59	339
Designated Officers (10)	1,333	243	1,576	1,343	246	1,589

1 Salary includes regular base pay and vacation payouts.

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

3 Chief Administrative Officer (CAO) – 2023 salary amount is lower due to the CAO position not being filled until 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 304,451 members in 2023 (291,259 in 2022) and 444 employers in 2023 (437 in 2022). The Police Officers are members of the Special Forces Pension Plan (SFPP) and serves 8,034 members in 2023 (7,812 in 2022) and 8 employers (2022 – 7). The Plans are financed by employer and employee contributions and investment earnings of the LAPP and SFPP Fund.

(in thousands of dollars)

During 2024, the City of Medicine Hat was required to make current service contributions to the Local Authorities Pension Plan of 8.45 percent (2023 – 8.45 percent) of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 11.65 percent (2023 – 12.23 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 (2023 - 14.55).

Total current service contributions by the City of Medicine Hat to LAPP and SFPP in 2024 were $11,044 (2023 - $10,807). Total current service contributions by the employees for 2024 were $9,940 (2023 - $9,757).

At December 31,2023 LAPP disclosed an actuarial surplus of $15.1 billion (2022 - surplus of $12.7 billion).
At December 31,2023 SFPP disclosed an actuarial surplus of $553.1 million (2022 – surplus of $265.3 million).

NOTE 19: EMPLOYEE BENEFIT OBLIGATIONS

The City has a defined benefit life insurance plan covering substantially all of its employees. The plan is unfunded. In 2024, an actuarial accounting valuation for the plan was performed for the year ended December 31, 2024 with a projection for 2025. The 2024 valuation gave rise to an actuarial gain which will begin amortization in 2025. The unamortized balance is $1,671 (2023 - $2,031). Information about the plan is as follows:

	2024	2023
Accrued Benefit Obligation		
Balance, Beginning of Year	$ 7,650	$ 7,645
Current Service Cost	142	135
Interest Cost	284	271
Benefits Paid	(131)	(168)
Amortization of net actuarial gain	(233)	(233)
BALANCE, END OF YEAR (Note 13)	**$ 7,712**	**$ 7,650**

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

	2024	2023
Discount Rate	4.80%	5.05%
Rate of Compensation Increases	3.00%	3.00%
Expected Average Remaining Service Life	8.72 years	9.72 years

NOTE 20: OPERATING COMMITMENTS

The City of Medicine Hat is committed to purchase natural gas and electrical energy under existing purchase contracts. The commitment for 2024 was $26,551(Gas) and $10,009 (Electric) (2023 - $20,747 and $9,866 respectively).

(in thousands of dollars)

NOTE 21: OPERATING BUDGET

Operating budget data presented in these consolidated financial statements are based upon the 2024 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 2024.

	2024 Budget
Revenue	
Approved operating budgets	$ 561,259
Adjustments	(100,055)
	461,204
Expense	
Approved operating budgets	595,185
Adjustments	(166,361)
	428,824
Other revenue	
Government transfers for capital	10,815
	10,815
ANNUAL SURPLUS (DEFICIT)	**$ 43,195**

NOTE 22: CAPITAL COMMITMENTS

(A) 2024 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 2024 approved Capital Budget. The actual expenditures of $113,985 (2023 - $86,126) includes amounts carried forward from previous budget years, costs related to the 2024 budget and developer contributions of tangible capital assets. In 2024, actual expenditures are presented net of properties held for sale.

(B) INCOMPLETE CAPITAL PROJECTS

As at December 31, 2024 a number of capital projects were in progress and will be completed in 2025 or subsequent years. The unexpended appropriation related to these projects is $299,802 (2023 - $312,618). Significant projects are:

- ***Gas Utility***

  Drilling and Completions ($5,192), Well Abandonments ($94,517) Projects Operated by Third Parties ($3,153), Pipelines and Wells ($6,263), Carbon Capture ($10,295) and Distribution Systems ($1,206).

- ***Electric Utility***

  Generator Rotor Replacement ($5,631), Turbine Overhauls ($19,057), Control Cable Replacement ($2,410), Unit 14 Hot Section Replacement ($4,125), Energy Business Development ($6,889), Clear Horizon Carbon Capture ($4,551), MHS-11 Substation ($22,378), Transmission Line Capacity Upgrades ($1,096) and Distribution Systems ($2,052).

- ***Municipal Works***

  Transportation Infrastructure Rehabilitation ($1,269), Bridge Rehabilitation ($718), Storm Sewer Rehabilitation Program ($2,203), Infrastructure Rehabilitation Program ($4,502).

- ***Parks and Recreation***

  Irrigation Infrastructure Program and upgrade ($1,382), Indoor/Outdoor Facilities Infrastructure Program ($524), Infrastructure Rehabilitation Program ($130).

(in thousands of dollars)

- ***Fleet and Facilities***

  City Hall Humidification Replacement ($1,193), Hill Pool Components Lifecycle ($1,013), and vehicle and equipment purchases ($12,734).

- ***Information Technology***

  Operational Technology (OT) Network Refresh and OT Cybersecurity Controls ($800).

- ***Water Utility***

  Water Main Replacements ($3,401), Water Distribution Upgrades ($731), Waste Solids Handling Facility ($6,477).

- ***Sewer Utility***

  Sewer Main Asset Management Program ($2,863), Lift Station Facility Upgrade ($1,460), Brier Park Gravity Bypass ($1,813).

- ***Solid Waste Utility***

  Food Waste Pilot ($493).

- ***Land Development and Real Estate***

  Unspent budgets relating to subdivisions being developed for sale include Ranchlands ($14,212), Southlands ($609), Riverwalk ($2,136), Airport ($1,789), Brier Run ($13,388), and NW Industrial Park ($12,845).

(C) CAPITAL PLAN

The following is the City Council approved 2024 Capital Plans with projections for 2025 – 2034 for the Gas Utility, Electric Utility, Environmental Utilities, Municipal Services, and Land and Real Estate:

2024 Budget	109,357
2025 Projection	99,439
2026 - 2034 Projection	1,225,965
TOTAL	**$ 1,434,761**

Financing sources identified:

	2024	**2025**
Government Grants	$ 9,250	$ 13,642
Current Revenues	46,716	33,658
Debentures		
Tax Supported	22,598	-
Utilities Rate Supported	15,819	21,005
Reserves	14,974	30,234
Direct Charges and Other	-	900
TOTAL	**$ 109,357**	**$ 99,439**

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, 2024. If proven, it is possible that these claims may have a material adverse effect on the financial position of the City. The City is disputing the claims and as the outcome is not determinable at this time, no amount has been accrued in the financial statements.

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

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

Southridge Recreation and Wellness Centre:

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

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

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

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.

(in thousands of dollars)

NOTE 25: FINANCIAL RISK MANAGEMENT

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

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

a) Market Risk

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

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

i) *Price Risk*

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

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

If equity market indices declined by 1 percent, and all other variables held constant, the potential loss in fair value to the City would be approximately $3.2 million or 0.4 percent of total investments.

ii) *Interest Rate Risk*

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

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

The fixed income securities have the following average maturity structure:

	2024
0-3 years	32%
3-7 years	37%
7-10 years	19%
Over 10 years	12%
TOTAL	**100%**

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

(in thousands of dollars)

iii) Foreign Currency Risk

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

The City is exposed to foreign exchange fluctuations on its cashflows denominated in foreign currencies and also to changes in the valuation on its assets denominated in foreign currencies attributable to fluctuations in exchange rates. As at December 31, 2024, investments in non-Canadian assets represented 58% of total investments by fair value.

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

	Fair Value	2% Decrease	1% Decrease	1% Increase	2% Increase
Foreign Currency Assets	$ 439,900	$ 8,800	$ 4,400	$ (4,400)	$ (8,800)

As at December 31, 2024, the City had two USD foreign exchange fixed contracts in place to hedge the exchange exposure of capital projects. Delivery dates of these contracts range from January 2025 to July 2025.

The City utilizes an external manager, Mesirow Financial Investment Management, to execute an active portfolio hedging strategy designed to efficiently reduce currency risk on assets denominated in foreign currencies. Risks associated with foreign currency inflows and outflows are forecasted, managed, and monitored internally for expected changes in the exchange rates of the various currencies. As at December 31, 2024, the portfolio had 12 forward contracts, with settlement dates of March 19, 2025. The fair market value of these forward contracts is $3.04 million. The forward contracts had the following rates with the following currencies:

Currency Rates	Currency Types
1 CHF per CAD (0.62545)	CHF - Swiss Franc
1 HKD per CAD (5.5551)	HKD - Hong Kong Dollar
2 CAD per EUR (1.4811)	EUR - Euro
4 CAD per GBP (1.7804)	GBP - British Pound Sterling
4 CAD per USD (1.40337)	USD - United States Dollar

b) **Liquidity Risk**

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

c) **Credit Risk**

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

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

NOTE 26: SEGMENTED DISCLOSURES

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

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

a) Tax supported programs consist of those that are directly supported by property taxes, including the tax allocation proved directly to other operations as follows:

- General Government is comprised of Corporate Administration, Mayoral and Councilor services, City Solicitor, City Clerk, People Services, and Economic Development.
- Corporate Services is comprised of Finance, Information Technology, Fleet & Facilities, Communications, Engagement & Marketing, and Corporate Planning & Performance.
- Development & Infrastructure is comprised of Municipal Works, Airport, and Planning & Development Services.
- Public Services is comprised of Fire & Emergency Services, Community Development, and Parks & Recreation.
- Police Service comprised of all police services and bylaw enforcement.

b) Gas Utility produces, sells to market, and distributes natural gas to customers within its franchise boundary in a safe and reliable manner. The utility is operated on a self-sustaining basis.

c) Electric Utility produces and provides safe, reliable, cost-effective electric energy to the customers of Medicine Hat and surrounding area and provides other related services within the city corporate structure. The utility is operated on a self-sustaining basis.

d) Water Utility treats and distributes potable water to City of Medicine Hat water customers. The Water department ensures all treated water meets the rigid safety, quality, monitoring, recording, and reporting parameters of Federal, Provincial, water industry and local standards. The utility is operated on a self-sustaining basis.

e) Sewer Utility collects and treats sanitary wastewater from City of Medicine Hat sewer customers. The Sewer department ensures all treated wastewater meets the rigid safety, environmental, monitoring, recording, and reporting parameters of Federal, Provincial, wastewater industry and local standards. The utility is operated on a self-sustaining basis.

f) Solid Waste Utility delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. The utility is operated on a self-sustaining basis.

g) Land Development and Real Estate includes the City’s role as a land developer in the areas of acquisition, development, and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The department is operated on a self-sustaining basis.

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

A) REVENUE

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

B) EXPENSES

- **Salaries, wages, and benefits** include all salaries, wages (including overtime, statutory holidays, shift differential, relief time), employee benefit charges, clothing and cleaning allowance, car allowance, training, travel and memberships and dues.
- **Contracted and general services** include all contracts and other costs relating to services provided by third parties.
- **Materials, goods, and utilities** include items purchased from a third party or issued from stores and natural gas, electric, water, sewer and solid waste costs.
- **Provisions for allowances** include provisions made for anticipated uncollectible accounts receivable.
- **Bank charges and short-term interest** include regular bank charges on the City's bank accounts, automated teller machines at various facility sites and interest charges on our line of credit.
- **Interest on long-term debt** includes interest charge on the principal portion of loans.
- **Total grants and other transfers** include grants from the City to other organizations or individuals as well as transfers on behalf of other organizations.

- **Other operating expenses** include any minor operating expenses not appropriately categorized above.
- **Amortization of tangible capital assets** is a way of representing, for accounting purposes, how capital assets decline in value over time because of wear and obsolescence. Hard assets such as roads and machinery depreciate over time and must eventually be replaced. Amortization shows the cost of the "use of the asset" each year over the life of the asset.
- **Accretion on asset retirement obligations** is the periodic recognition of an expense associated with the increase in the present value of the asset retirement obligation liability over time.
- **Impairments** are the expenses recorded to reduce the value of assets, when the assets are worth less on the market than the value listed on the company's balance sheet. A test is completed each year to compare the carrying amount of the asset to the market value. If the carrying amount is higher than the market value, then the asset is considered impaired and must be written down to its fair value. **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.
- **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: SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the City of Medicine Hat has entered into an agreement to sell some of its Gas Production assets to a third party with the effective date being March 5, 2025.

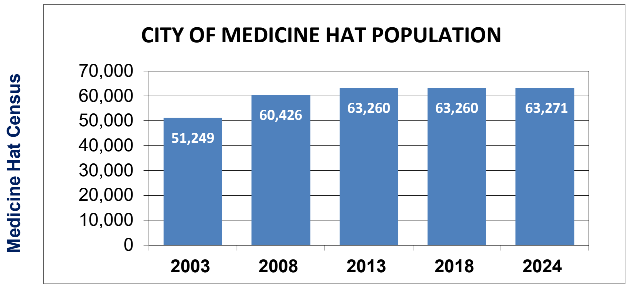
NOTE 29: APPROVAL OF FINANCIAL STATEMENTS

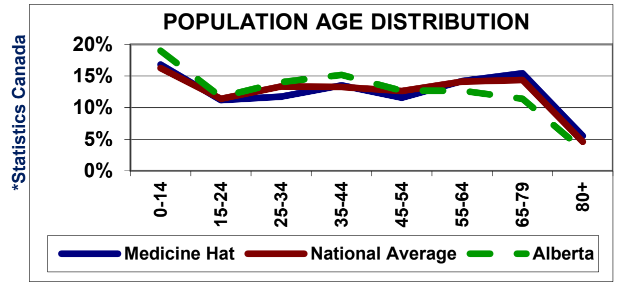
These financial statements were approved by Council.

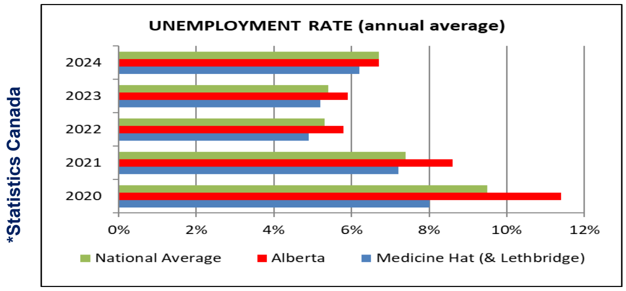
Financial and Statistical Schedules
(unaudited)

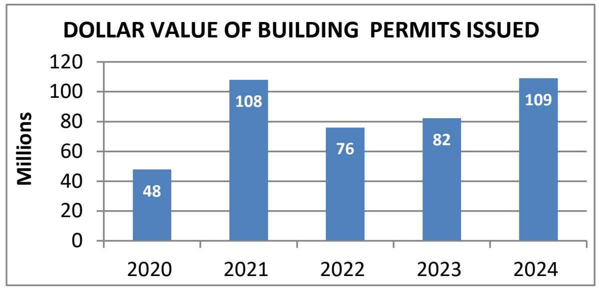
FINANCIAL & STATISTICAL SCHEDULES *(Unaudited)*

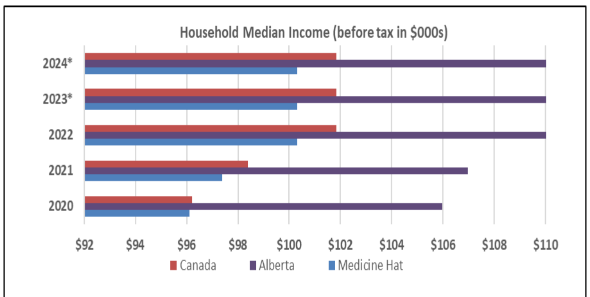
DEMOGRAPHICS & OTHER INFORMATION



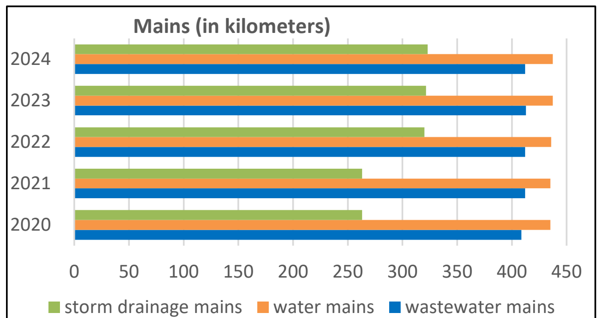








*Note: figures for 2023 & 2024 reflect total income figures for 2022 as data is not yet available



Area is 112 square kilometers

LARGEST CORPORATE TAXPAYERS IN MEDICINE HAT

Medicine Hat Mall Inc	Avenue Living (2014) GP Ltd
The Meadowlands Development Corporation	Cancarb Limited
Skyline Retail Real Estate Holdings Inc	2105657 Alberta Ltd. (Bevo Farms)
South Country Co-op Limited	Wal-Mart Canada Corp
Canadian Tire Properties Inc.	Royop (Southlands) Development Ltd

LARGEST EMPLOYERS IN MEDICINE HAT

Public	Private
Medicine Hat Regional Hospital	South Country Co-op (all locations)
City of Medicine Hat	The Real Canadian Superstore
Medicine Hat School District	Canadian Pacific Railway
Medicine Hat College	Wal-Mart
Province of Alberta	Goodyear

CITY OF MEDICINE HAT PERMANENTLY ESTABLISHED POSITIONS 2020 - 2024

	2020	2021	2022	2023	2024
General Government	36	24	26	75	70
Corporate Services	201	149	155	197	195
Public Services	275	257	256	270	281
Police	150	148	154	154	152
Invest Medicine Hat	9	8	8	-	-
Strategy Management & Analysis	20	79	86	-	-
Energy, Land & Environment	313	359	365	177	177
Development & Infrastructure	83	-	-	209	207
Total Permanent Positions	**1,087**	**1,024**	**1,050**	**1,082**	**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 2020 - 2024

(In thousands of dollars)

STATEMENT OF FINANCIAL POSITION

	2024	2023	2022	2021	2020
Financial assets					
Cash and cash equivalents	$ 42,058	$ 66,386	$ 44,188	$ 68,004	$ 62,824
Accounts receivable (net of allowances)	53,968	51,796	97,523	78,551	47,407
Investments, loans & advances	711,720	666,659	638,946	507,362	414,781
Land and other assets held for resale	10,691	10,333	10,523	10,653	35,237
Inventories for resale	106	144	151	140	114
Deposits	3,743	5,032	1,166	3,720	3,094
Total financial assets	822,286	800,350	792,497	668,430	563,457
Liabilities					
Trade accounts payable	45,535	30,480	55,598	36,835	26,084
Accrued liabilities	24,439	21,300	26,417	22,100	34,226
Deferred revenue	27,961	45,048	58,468	61,498	38,642
Long-term debt	363,118	389,654	418,581	406,316	376,072
Asset retirement obligation	137,672	254,568	217,086	278,142	262,197
Other long-term liabilities	36,266	31,768	27,757	26,670	25,526
Total liabilities	634,991	772,818	803,907	831,561	762,747
Net financial asstes (debt)	187,295	27,532	(11,410)	(163,131)	(199,290)
Non-financial assets					
Inventories for consumption	19,086	18,633	15,620	14,317	15,191
Prepaid assets	17,913	3,697	2,917	3,102	2,148
Land held for future development	18,981	17,560	17,288	16,479	19,969
Tangible capital assets	1,444,919	1,438,449	1,430,018	1,422,542	1,399,788
Total non-financial assets	1,500,899	1,478,339	1,465,843	1,456,440	1,437,096
Accumulated surplus	**$ 1,688,194**	**$ 1,505,871**	**$ 1,454,433**	**$ 1,293,309**	**$ 1,237,806**

Accumulated surplus consists of the following:					
Unappropriated surplus	1,662,749	1,517,401	1,454,433	1,293,309	1,237,806
Accumulated remeasurement gains (losses)	25,445	(14,530)	-	-	-
Total accumulated surplus	**$ 1,688,194**	**$ 1,502,871**	**$ 1,454,433**	**$ 1,293,309**	**$ 1,237,806**

FINANCIAL COMPARISON 2020 - 2024

(In thousands of dollars)

STATEMENT OF OPERATIONS

	2024	2023	2022	2021	2020
REVENUE:					
Taxes	$ 110,121	$ 104,915	$ 101,164	$ 97,977	$ 98,560
Less - requisitions	(28,133)	(26,778)	(26,734)	(26,067)	(25,427)
	81,988	78,137	74,430	71,910	73,133
Sale of services					
General Government and Council	6,354	5,004	3,142	3,055	2,034
Corporate Services and Other Supports	740	802	782	778	679
Parks, Recreation and Culture	10,976	11,806	9,502	4,572	3,962
Emergency Services	912	874	863	674	516
Planning and Infrastructure	624	631	523	355	388
Gas	22,990	27,618	46,549	36,361	37,235
Electric	155,573	262,830	292,563	196,393	127,710
Environmental Utilities	59,295	57,571	55,982	54,790	49,921
Land	2,282	1,891	3,701	4,082	5,548
Other income					
Investment income	53,140	23,332	6,954	41,572	13,963
Licenses, fines and penalties	5,351	4,464	5,313	6,142	4,909
Insurance recovery	333	129	336	2,895	813
Development levies	1,058	1,321	896	1,674	6,977
Government transfers for operating	7,984	12,947	16,643	5,223	12,607
Other	18,882	21,480	7,756	13,342	12,121
Total revenue	**$ 428,482**	**$ 510,837**	**$ 525,935**	**$ 443,818**	**$ 352,516**
EXPENSES:					
General Government and Council	$ 10,959	$ 39,632	$ 9,825	$ 7,137	$ 6,504
Corporate Services and Other Supports	70,515	65,329	59,635	56,252	52,340
Parks, Recreation and Culture	51,423	46,652	43,155	35,601	36,518
Emergency Services	46,621	44,452	42,044	39,575	40,514
Planning and Infrastructure	31,454	31,186	29,216	28,158	28,288
Gas	(24,817)	101,755	72,234	130,116	115,792
Electric	86,429	102,804	96,228	84,824	79,741
Environmental Utilities	40,678	40,190	35,837	34,737	37,260
Land	1,284	1,429	3,335	3,565	4,785
Total expenses	**$ 314,546**	**$ 473,429**	**$ 391,509**	**$ 419,965**	**$ 401,742**
Excess (Deficiency) of revenue over expenses - before other revenue	**$ 113,936**	**$ 37,408**	**$ 134,426**	**$ 23,853**	**$ (49,226)**
Other					
Contributed tangible capital assets	1,195	625	133	2,195	243
Government transfers for capital	30,217	24,935	26,565	29,455	19,470
Total other	31,412	25,560	26,698	31,650	19,713
Annual (deficit) surplus	**$ 145,348**	**$ 62,968**	**$ 161,124**	**$ 55,503**	**$ (29,513)**

Trends:

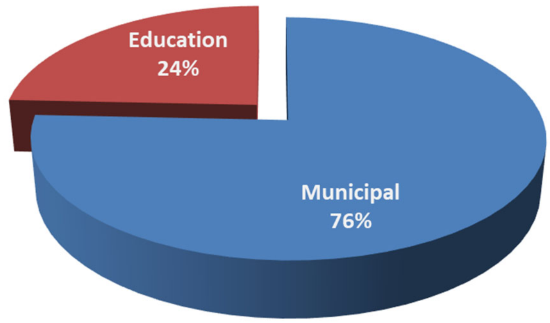
Revenue decreased in 2024 primarily due to lower revenues in Electric and Gas as a result of lower commodity prices. The commodity prices trended back to historic levels as a result of more power generation supply. Investment income is also very volatile depending on economic conditions. Investment income in 2024 saw a significant increase from prior years' due to better market performance as well as the recognition of gains related to rebalancing the portfolio.

Expenses in 2024 have decreased compared to prior years due to the reversal of prior years' impairments of $96.4 million in oil and gas assets as well as the lower gas purchases due to lower commodity prices. The increase in 2023 for General Government and Council was due to providing a one-time $33.2 million cost relief pressure program to its residents to assist with the recent high cost of living.

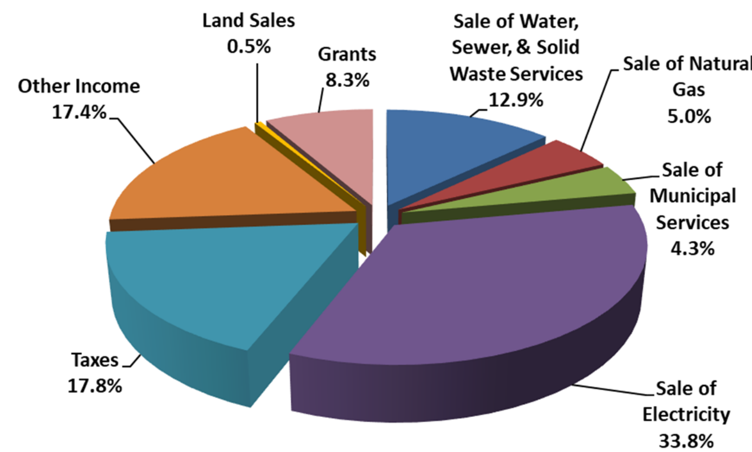
FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

Financial Synopsis: 2024 Operating Activities

Where our tax dollars went in 2024
Education / Municipal
Property Tax

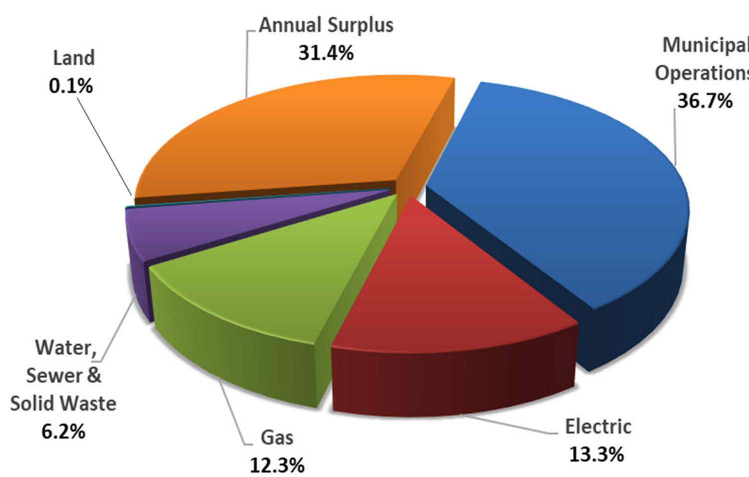


Where the money comes from $460 Million



Where the money goes $460 Million

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



FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2020 - 2024

TAXATION & ASSESSMENT

MILL RATES

	2024	2023	2022	2021	2020
MUNICIPAL					
Single family	6.7838	6.6744	6.8108	6.8034	7.1152
Apartments	7.7542	7.8755	7.9557	8.3090	8.8781
Farmland	17.2889	17.1955	17.3438	16.4809	34.5368
Commercial and industrial	16.1707	15.9113	15.7962	15.2807	15.7102
EDUCATION					
Single family	2.494	2.4307	2.6137	2.5465	2.4622
Apartments	2.494	2.4307	2.6137	2.5465	2.4622
Farmland	2.494	2.4307	2.6137	2.5465	2.4622
Commercial and industrial	3.6122	3.7149	4.1613	3.7467	3.4922
OTHER					
Single family	0.1256	0.1278	0.1053	0.1067	0.1035
Apartments	0.1256	0.1278	0.1053	0.1067	0.1035
Farmland	0.1256	0.1278	0.1053	0.1067	0.1035
Commercial and industrial	0.1256	0.1278	0.1053	0.1067	0.1035

PROPERTY TAXES LEVIED

(In thousands of dollars)

PROPERTY TAX LEVY	2024	2023	2022	2021	2020
Municipal	$ 81,136	$ 77,219	$ 73,567	$ 71,138	$ 72,126
Education	26,825	25,500	25,741	25,087	24,474
Other	1,308	1,278	993	980	953
TOTAL REAL PROPERTY	**$ 109,269**	**$ 103,997**	**$ 100,301**	**$ 97,205**	**$ 97,553**
Current taxes collected	104,547	99,436	96,318	92,067	89,429
% of current taxes collected (includes real + linear property taxes)	95.13%	95.03%	95.40%	94.19%	91.21%

OTHER MAJOR TAXES LEVIED	2024	2023	2022	2021	2020
Linear property taxes	$ 628	$ 639	$ 660	$ 545	$ 497
Local improvements	224	279	203	227	510
TOTAL MAJOR TAX LEVIED	**$ 852**	**$ 918**	**$ 863**	**$ 772**	**$ 1,007**

ASSESSED VALUE FOR GENERAL MUNICIPAL PURPOSES

	2024	2023	2022	2021	2020
Residential	$ 7,732,741,596	$ 7,456,353,374	$ 6,998,752,689	$ 6,748,869,568	$ 6,709,679,101
Multi-family	411,567,461	391,393,709	347,462,670	324,069,416	304,505,120
Farmland	1,032,600	1,051,000	1,095,600	1,196,118	1,243,600
Commercial and industrial	2,096,551,123	2,038,617,038	1,920,232,705	1,945,336,496	2,022,067,648
TOTAL TAXABLE ASSESSMENT	**$ 10,241,892,780**	**$ 9,887,415,121**	**$ 9,267,543,664**	**$ 9,019,471,598**	**$ 9,037,495,469**

FINANCIAL & STATISTICAL SCHEDULES (Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2020 - 2024

(In thousands of dollars)

SUMMARY OF UNRESTRICTED SURPLUS AND RESTRICTED SURPLUS - RESERVES

UNRESTRICTED SURPLUS	**2024**	**2023**	**2022**	**2021**	**2020**
General	$ 9,317	$ 9,171	$ 12,274	$ 12,185	$ 11,673
Gas	51,311	215,971	15,607	(1,973)	7,848
Electric	(11,377)	(16,304)	6,339	(10,682)	7,100
Water	14,475	16,210	19,525	18,439	15,834
Sewer	7,464	7,137	8,973	6,296	(2,577)
Solid Waste	18,944	16,773	14,129	11,890	10,496
Land	24,400	25,008	20,286	21,360	22,253
TOTAL UNRESTRICTED SURPLUS	114,534	273,966	97,133	57,515	72,627
RESTRICTED SURPLUS - RESERVES					
Operating	35,437	31,972	39,997	35,822	40,510
Capital	208,471	226,713	154,042	156,475	93,968
Medicine Hat Endownment Fund	207,632	193,523	159,179	60,630	49,825
Abandonment Obligations	76,273	-	-	-	-
Energy Transition	76,273	-	-	-	-
TOTAL RESTRICTED SURPLUS - RESERVES	604,086	452,208	353,218	252,927	184,303
TOTAL RESERVES & SURPLUS	**$ 718,620**	**$ 726,174**	**$ 450,351**	**$ 310,442**	**$ 256,930**

LONG TERM DEBT

	2024	2023	2022	2021	2020
LONG TERM DEBT					
Debt supported by taxes	$ 25,351	$ 28,340	$ 31,757	$ 34,387	$ 36,928
Debt supported by utilities	337,767	361,314	386,824	371,929	339,144
TOTAL TAX SUPPORTED AND UTILITIES DEBT	**$ 363,118**	**$ 389,654**	**$ 418,581**	**$ 406,316**	**$ 376,072**

DEBT PER CAPITA	2024	2023	2022	2021	2020
(not in thousands of dollars)					
Tax supported	$ 401	$ 448	$ 502	$ 543	$ 584
Utility supported	5,338	5,711	6,114	5,878	5,361
TOTAL DEBT PER CAPITA	**$ 5,739**	**$ 6,159**	**$ 6,616**	**$ 6,421**	**$ 5,945**

LONG & SHORT-TERM DEBT CHARGES AS A % OF TOTAL EXPENSES	2024	2023	2022	2021	2020
Actual debt servicing (long and short term)	$ 38,693	$ 42,086	$ 41,666	$ 39,224	$ 37,518
Total operating expenses	314,546	473,429	391,509	419,965	401,742
PERCENTAGE	**12.30%**	**8.89%**	**10.64%**	**9.34%**	**9.34%**

LEGAL DEBT LIMIT	2024	2023	2022	2021	2020
Debt limit	$ 856,964	$ 1,021,674	$ 1,051,870	$ 887,636	$ 705,032
Total debt	363,118	389,654	418,581	406,316	376,072
Loan guarantees	984	1,072	1,157	1,244	1,740
Credit card debt	574	726	841	-	-
Letters of credit issued	63,598	45,360	45,360	46,960	46,960
AMOUNT UNDER LIMIT	**$ 428,690**	**$ 584,862**	**$ 585,931**	**$ 433,116**	**$ 280,260**
Percentage used	49.98%	42.75%	44.30%	51.21%	60.25%

DEBT SERVICING LIMIT	2024	2023	2022	2021	2020
Debt servicing limit	$ 149,969	$ 178,793	$ 184,077	$ 155,336	$ 123,381
Actual debt servicing (short and long term)	38,693	42,086	41,666	39,224	37,518
AMOUNT UNDER LIMIT	**$ 111,276**	**$ 136,707**	**$ 142,411**	**$ 116,112**	**$ 85,863**
Percentage used	25.80%	23.54%	22.64%	25.25%	30.41%

(In thousands of dollars)

CONSOLIDATED EXPENSES BY OBJECT

	2024 Budget	2024 Actual	2023 Actual	2022 Actual	2021 Actual	2020 Actual
Salaries, wages and benefits	$ 144,481	$ 151,419	$ 141,168	$ 133,412	$ 128,326	$ 131,885
Contracted and general services	65,458	67,348	58,868	50,157	43,289	47,096
Materials, goods and utilities	29,502	28,137	24,209	24,246	28,562	26,982
Provisions for allowances	285	788	404	650	1,238	1,124
Bank charges and short-term interest	488	452	397	358	468	386
Interest on long-term debt	15,508	12,060	13,014	12,081	11,488	11,382
Grants and other transfers	4,551	5,016	4,703	4,078	5,199	5,429
Other operating expenses	77,252	52,598	123,469	150,937	85,893	47,682
Amortization of tangible capital assets	86,056	84,605	84,672	90,254	84,913	90,980
Accretion on asset retirement obligations	5,243	7,740	7,951	10,751	10,058	10,309
Impairments (recoveries)	-	(96,419)	13,941	(84,424)	13,574	17,187
Loss on disposal of tangible capital assets	-	802	633	(991)	6,957	11,300
TOTAL EXPENSES	**$ 428,824**	**$ 314,546**	**$ 473,429**	**$ 391,509**	**$ 419,965**	**$ 401,742**

SCHEDULE OF CAPITAL SEGMENTED REPORTING *(Unaudited)*

FOR THE YEARS ENDED DECEMBER 31, 2020-2024

(In thousands of dollars)

	2024	2023	2022	2021	2020
Capital Expenditures:					
Municipal services	$ 40,321	$ 28,927	$ 29,439	$ 40,905	$ 36,530
Gas utility	4,532	6,380	3,604	2,603	4,129
Electric utility	32,661	16,005	27,115	31,986	37,537
Environmental utilities	36,348	22,881	15,610	23,824	27,000
Land development and real estate	123	(307)	674	4,370	732
Total Capital Spending	113,985	73,886	76,442	103,688	105,928
Financing Sources Applied:					
Contributed assets - private	195	625	133	2,195	243
Debt - ACFA	-	-	41,741	37,940	38,472
Debt - internal	1,324	1,239	5,569	4,459	5,212
Developers levies	2,058	1,321	896	1,675	6,962
Government transfers	30,217	24,935	26,565	29,455	19,470
From (to) operating	54,479	32,005	14,622	14,997	17,763
From (to) reserves	11,907	12,795	12,234	4,248	8,190
Total Funding	100,180	72,920	101,760	94,969	96,312
Increase (decrease) in fund balance	(13,805)	(966)	25,318	(8,719)	(9,616)
Capital fund balance, beginning of year	29,931	30,897	5,579	14,298	23,914
Capital fund balance, end of year	**$ 16,126**	**$ 29,931**	**$ 30,897**	**$ 5,579**	**$ 14,298**

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:

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