

TOWN OF MILK RIVER
Consolidated Financial Statements
Year Ended December 31, 2024

TOWN OF MILK RIVER

Table of Contents

Year Ended December 31, 2024

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITOR'S REPORT	2 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Financial Assets	6
Consolidated Statement of Cash Flows	7
Consolidated Schedule of Changes in Accumulated Surplus <i>(Schedule 1)</i>	8
Consolidated Schedule of Tangible Capital Assets <i>(Schedule 2)</i>	9
Consolidated Schedule of Property and Other Taxes <i>(Schedule 3)</i>	10
Consolidated Schedule of Government Transfers <i>(Schedule 4)</i>	11
Consolidated Schedule of Consolidated Expenses by Object <i>(Schedule 5)</i>	12
Consolidated Schedule of Segmented Disclosure <i>(Schedule 6)</i>	13
Notes to Consolidated Financial Statements	14 - 23

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements are the responsibility of the management of the Town of Milk River (the "Town").

These consolidated financial statements have been prepared from information provided by management. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

The Town maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Town's assets are properly accounted for and adequately safeguarded.

The elected Council of the Town is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council meets periodically with management and the external auditors to review significant accounting, reporting and internal control matters. Following its review of the consolidated financial statements and discussions with the auditors, the Council approves of the consolidated financial statements. The Council approves the appointment of the external auditors and reviews the monthly financial reports.

The consolidated financial statements have been audited by Shawn Cook Professional Corporation, Chartered Professional Accountants, the external auditor, in accordance with Canadian generally accepted auditing standards on behalf of the Council, residents and ratepayers of the Town. Shawn Cook Professional Corporation has full and free access to the Council.



CAO



CFO

Milk River, Alberta
April 14, 2025



INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the Town of Milk River

Opinion

We have audited the consolidated financial statements of Town of Milk River (the "Town"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 Town'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 Town or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Town'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.

(continues)

Independent Auditor's Report to the Members of Council of the Town of Milk River *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 Town'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 Town 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.

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.

Shawn Cook
Professional Corporation

Lethbridge, Alberta
April 14, 2025

Chartered Professional Accountants



TOWN OF MILK RIVER
Consolidated Statement of Financial Position
December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash and temporary investments <i>(Note 2)</i>	\$ 1,290,751	\$ 1,751,406
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	101,283	65,565
Trade and other receivables <i>(Note 3)</i>	472,289	233,391
	<u>1,864,323</u>	<u>2,050,362</u>
LIABILITIES		
Accounts payable and accrued liabilities	198,761	131,570
Employee benefit obligation <i>(Note 4)</i>	16,043	15,720
Asset retirement obligation <i>(Note 5)</i>	307,409	295,585
Deferred revenue <i>(Note 6)</i>	41,804	92,166
	<u>564,017</u>	<u>535,041</u>
NET FINANCIAL ASSETS	<u>1,300,306</u>	<u>1,515,321</u>
NON-FINANCIAL ASSETS		
Tangible capital assets <i>(Schedule 2)</i>	12,233,364	12,399,665
Land held for resale	225,631	256,584
Inventory for consumption	83,375	70,308
Prepaid expenses and deposits	6,840	2,342
	<u>12,549,210</u>	<u>12,728,899</u>
ACCUMULATED SURPLUS <i>(Schedule 1 and Note 11)</i>	<u>\$ 13,849,516</u>	<u>\$ 14,244,220</u>

Commitments and contingencies (Note 15)

Approved on behalf of Council:

 Chief Elected Officer

 Councillor

TOWN OF MILK RIVER
Consolidated Statement of Operations
Year Ended December 31, 2024

	Budget (Unaudited)	2024	2023
REVENUE			
Net municipal property taxes <i>(Schedule 3)</i>	\$ 992,821	\$ 947,755	\$ 835,175
User fees and sales of goods	615,700	623,861	652,960
Government transfers for operating <i>(Schedule 4)</i>	172,045	208,256	278,542
Franchise and concession contracts <i>(Note 14)</i>	190,000	198,056	195,260
Investment income	95,270	87,064	91,249
Rental	48,665	50,803	49,777
Penalties and costs of taxes	11,800	17,454	14,328
Licenses and permits	10,250	11,285	10,739
Other	1,062	4,431	9,401
	<u>2,137,613</u>	<u>2,148,965</u>	<u>2,137,431</u>
EXPENSES			
Legislative	97,800	65,576	70,838
Administration	427,745	409,386	420,285
Bylaw enforcement	76,533	78,797	70,682
Fire services	100,517	118,220	105,063
Public Works	575,607	535,825	547,503
Wastewater treatment and disposal	72,902	165,313	161,057
Water supply and distribution	350,643	772,721	574,923
Waste management	129,514	182,828	146,619
Land use planning and development	144,400	47,235	37,461
Parks and recreation	380,074	516,500	447,772
Other	16,640	16,482	16,595
	<u>2,372,375</u>	<u>2,908,883</u>	<u>2,598,798</u>
(DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER	(234,762)	(759,918)	(461,367)
OTHER			
Government transfers for capital <i>(Schedule 4)</i>	-	365,214	303,142
(DEFICIENCY) OF REVENUE OVER EXPENSES	(234,762)	(394,704)	(158,225)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>14,244,220</u>	<u>14,244,220</u>	<u>14,402,445</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 14,009,458</u>	<u>\$ 13,849,516</u>	<u>\$ 14,244,220</u>

TOWN OF MILK RIVER**Consolidated Statement of Changes in Net Financial Assets****Year Ended December 31, 2024**

	Budget (Unaudited)	2024	2023
(DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (234,762)	\$ (394,704)	\$ (158,225)
Amortization of tangible capital assets	-	695,433	677,646
Acquisition of tangible capital assets	-	(529,132)	(787,823)
	-	166,301	(110,177)
Use (acquisition) of prepaid expenses and deposits	-	(4,498)	1,540
Use (acquisition) of inventory for consumption	-	(13,067)	(5,390)
Use (acquisition) of land held for resale	-	30,953	30,953
	-	179,689	(83,074)
CHANGE IN NET FINANCIAL ASSETS	(234,762)	(215,015)	(241,299)
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,515,321	1,515,321	1,756,620
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,280,559	\$ 1,300,306	\$ 1,515,321

TOWN OF MILK RIVER
Consolidated Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING		
(Deficiency) of revenue over expenses	\$ (394,704)	\$ (158,225)
Non-cash items included in (deficiency) of revenue over expenses		
Amortization of tangible capital assets	695,433	677,646
	<u>300,729</u>	<u>519,421</u>
Changes in non-cash working capital:		
Taxes and grants in place of taxes receivable	(35,718)	75
Trade and other	(238,898)	241,256
Accounts payable and accrued liabilities	67,191	(37,521)
Employee benefit obligation	323	3,723
Asset retirement obligation	11,824	295,585
Deferred revenue	(50,362)	42,272
Inventory for consumption	(13,067)	(5,392)
Land held for resale	30,953	30,954
Prepaid expenses and deposits	(4,498)	1,540
	<u>(232,252)</u>	<u>572,492</u>
	<u>68,477</u>	<u>1,091,913</u>
CAPITAL		
Acquisition of tangible capital assets	(529,132)	(787,823)
	<u>(529,132)</u>	<u>(787,823)</u>
CHANGE IN CASH AND TEMPORARY INVESTMENTS DURING THE YEAR	(460,655)	304,090
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	1,751,406	1,447,316
CASH AND TEMPORARY INVESTMENTS, END OF YEAR (Note 2)	\$ 1,290,751	\$ 1,751,406

TOWN OF MILK RIVER**Schedule of Changes in Accumulated Surplus****(Schedule 1)****Year Ended December 31, 2024**

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
BALANCE, BEGINNING OF THE YEAR	\$ 1,061,269	\$ 1,078,872	\$ 12,104,079	\$ 14,244,220	\$ 14,402,445
(Deficiency) of revenue over expenses	(394,704)	-	-	(394,704)	(158,225)
Unrestricted funds designated for future use	(19,521)	19,521	-	-	-
Restricted funds used for tangible capital assets	-	(97,379)	97,379	-	-
Current year funds used for tangible capital assets	(431,753)	-	431,753	-	-
Annual amortization expense	695,433	-	(695,433)	-	-
Asset retirement obligation adjustment	11,823	-	(11,823)	-	-
Change in accumulated surplus	(138,722)	(77,858)	(178,124)	(394,704)	(158,225)
BALANCE, END OF THE YEAR	\$ 922,547	\$ 1,001,014	\$ 11,925,955	\$ 13,849,516	\$ 14,244,220

TOWN OF MILK RIVER
Schedule of Tangible Capital Assets
Year Ended December 31, 2024

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2024	2023
COST								
BALANCE, BEGINNING OF YEAR	\$ 369,515	\$ 832,787	\$ 3,886,219	\$ 19,300,160	\$ 1,525,360	\$ 1,654,204	\$ 27,568,245	\$ 26,780,422
Acquisition of tangible capital assets	30,000	-	71,080	287,977	140,075	-	529,132	787,823
BALANCE, END OF YEAR	399,515	832,787	3,957,299	19,588,137	1,665,435	1,654,204	28,097,377	27,568,245
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	706,086	1,920,944	10,109,571	1,285,205	1,146,774	15,168,580	14,490,933
Annual amortization	-	21,311	115,808	424,041	51,223	83,050	695,433	677,647
BALANCE, END OF YEAR	-	727,397	2,036,752	10,533,612	1,336,428	1,229,824	15,864,013	15,168,580
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 399,515	\$ 105,390	\$ 1,920,547	\$ 9,054,525	\$ 329,007	\$ 424,380	\$ 12,233,364	\$ 12,399,665
2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 369,515	\$ 126,701	\$ 1,965,275	\$ 9,190,589	\$ 240,155	\$ 507,430	\$ 12,399,665	

TOWN OF MILK RIVER**Schedule of Property and Other Taxes****(Schedule 3)****Year Ended December 31, 2024**

	Budget (Unaudited)	2024	2023
TAXATION			
Real property taxes	\$ 936,947	\$ 924,252	\$ 811,356
Linear property taxes	176,608	165,958	160,779
Special assessment and local improvement taxes	73,266	63,374	57,487
Government grants in place of property taxes	20,795	20,789	21,921
	1,207,616	1,174,373	1,051,543
REQUISITIONS			
Alberta School Foundation Fund	194,000	205,823	194,463
Seniors foundation	20,795	20,795	21,905
	214,795	226,618	216,368
NET MUNICIPAL PROPERTY TAXES	\$ 992,821	\$ 947,755	\$ 835,175

TOWN OF MILK RIVER
Schedule of Government Transfers
Year Ended December 31, 2024

(Schedule 4)

	Budget (Unaudited)	2024	2023
TRANSFERS FOR OPERATING			
Provincial Government	\$ 117,430	\$ 161,747	\$ 223,113
Other Local Government	54,615	46,509	55,429
	172,045	208,256	278,542
TRANSFERS FOR CAPITAL			
Provincial Government	-	365,214	289,392
Other Local Government	-	-	13,750
	-	365,214	303,142
TOTAL GOVERNMENT TRANSFERS	\$ 172,045	\$ 573,470	\$ 581,684

TOWN OF MILK RIVER**Schedule of Consolidated Expenses by Object****(Schedule 5)****Year Ended December 31, 2024**

	Budget (Unaudited)	2024	2023
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 745,156	\$ 801,028	\$ 617,616
Contracted and general services	949,180	785,187	708,685
Materials, goods and utilities	520,025	471,417	434,527
Transfers to local boards and agencies	84,341	71,098	76,820
Purchases from other governments	44,033	45,275	40,377
Other expenses	28,440	26,529	30,628
Accretion	-	11,823	11,369
Bank charges and short-term interest	1,200	1,093	1,128
Amortization of tangible capital assets	-	695,433	677,646
	<u>\$ 2,372,375</u>	<u>\$ 2,908,883</u>	<u>\$ 2,598,796</u>

TOWN OF MILK RIVER
Schedule of Segmented Disclosure
Year Ended December 31, 2024

(Schedule 6)

	General Government	Protective Services	Transportation Services	Environmental Services	Planning and development	Recreation and culture	Total
REVENUE							
Net municipal property taxes	\$ 947,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 947,755
User fees and sales of goods	2,043	17,113	814	481,368	88,199	34,324	623,861
Government transfers	235,276	9,380	47,553	206,261	-	75,000	573,470
Franchise and concession contracts	198,056	-	-	-	-	-	198,056
Investment income	87,064	-	-	-	-	-	87,064
Rental	50,195	-	465	-	-	143	50,803
Other revenues	15,898	3,937	423	4,964	7,348	600	33,170
	1,536,287	30,430	49,255	692,593	95,547	110,067	2,514,179
EXPENSES							
Salaries, wages and benefits	222,527	12,308	129,623	195,481	-	241,089	801,028
Contracted and general services	153,512	52,219	97,584	389,830	46,281	45,761	785,187
Materials, goods, supplies and utilities	42,870	47,963	146,917	131,955	130	101,582	471,417
Transfers to local boards	6,080	-	-	27,395	17,306	20,317	71,098
Purchases from other governments	-	45,275	-	-	-	-	45,275
Other expenses	20,182	19	45	6,283	-	-	26,529
Accretion	-	-	-	-	-	11,823	11,823
Bank charges and short-term interest	1,093	-	-	-	-	-	1,093
	446,264	157,784	374,169	750,944	63,717	420,572	2,213,450
NET REVENUE BEFORE AMORTIZATION	1,090,023	(127,354)	(324,914)	(58,351)	31,830	(310,505)	300,729
Amortization expense	28,698	39,233	161,656	369,918	-	95,928	695,433
NET REVENUE	\$ 1,061,325	\$ (166,587)	\$ (486,570)	\$ (428,269)	\$ 31,830	\$ (406,433)	\$ (394,704)

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Milk River (the "Town") are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Town are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Town and are, therefore, accountable to the Council for the administration of their financial affairs and resources.

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

The statements exclude trust assets that are administered for the benefit of external parties. interdepartmental and organizational transactions and balances are eliminated.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

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

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant items subject to such estimates are the collectability of accounts receivable, and the useful lives of tangible capital assets.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition.

(continues)

TOWN OF MILK RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments are recorded at cost less any provisions for other than temporary impairment.

Inventories for Resale

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

Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special assessments during the period of the related borrowings. These levies are collectible from property owners for work performed by the municipality.

Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowings.

In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

Revenue recognition

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues and the amounts to be received can be reasonably estimated and collection is reasonably assured.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payer. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered.

User charges for which the related services have yet to be performed are recognized when related expenses are incurred, benefits are achieved, or tangible capital assets are acquired. Revenue on investments, fines, and penalties are recognized when earned.

Tax Revenue

Tax revenues are recognized when the tax has been authorized by bylaw and the taxable event has occurred.

Requisitions operate as a flow through and are excluded from municipal revenue.

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TOWN OF MILK RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Contaminated Sites Liability

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when a site is not in productive use and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Asset Retirement Obligation

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

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

At each financial reporting date, the Town reviews the carrying amount of the liability. The Town recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Town continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(continues)

TOWN OF MILK RIVER
Notes to Consolidated Financial Statements
Year Ended December 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Financial Assets

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

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	10 - 20
Buildings	25 - 50
Engineered structures	20 - 40
Machinery and equipment	5 - 20
Vehicles	10 - 20

A full year of amortization is charged in the year of acquisition and no amortization is charged in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii. Contributions of tangible capital assets

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

iii. Leases

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

iv. Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value with cost determined by the average cost method.

v. Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

2. CASH AND TEMPORARY INVESTMENTS

	2024	2023
Cash on hand	\$ 328,081	\$ 836,590
Notice on Amount 90 days	962,670	914,816
	<u>\$ 1,290,751</u>	<u>\$ 1,751,406</u>

The Town has a demand revolving bank operating line of credit with a maximum limit of \$200,000 bearing interest at 6.45% and secured by an assignment of property taxes. At year-end, the balance of the line of credit was nil (2023 - nil).

3. RECEIVABLES

	2024	2023
Property taxes		
Taxes and grants in place of taxes	\$ 79,365	\$ 41,097
Arrears taxes	31,871	34,421
Less: Allowance for doubtful accounts	(9,953)	(9,953)
	<u>101,283</u>	<u>65,565</u>
Trade and other		
Grants	365,214	169,393
Trade	44,937	13,957
Utilities	39,127	28,808
Goods and Services Tax (GST)	23,011	21,233
	<u>472,289</u>	<u>233,391</u>

4. EMPLOYEE BENEFIT OBLIGATION

The employee benefit obligation is comprised of accrued vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year.

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

5. ASSET RETIREMENT OBLIGATION

Asbestos abatement

The Town owns buildings which contain asbestos and, therefore, the Town is legally required to perform abatement activities upon renovation or demolition of the buildings. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

Undiscounted future cash flows expected are abatement costs in year 2025 of \$55,600 and in year 2038 of \$419,280. The estimated total liability of \$307,409 (2023 - \$295,585) is based on the sum of discounted future cash flows for abatement activities using a discount rate of 6% and assuming annual inflation of 2%. The Town has not designated assets for settling the abatement activities.

6. DEFERRED REVENUE

	2024	2023
Prepaid taxes	\$ 23,195	\$ 31,296
Undistributed donations	11,736	6,485
Prepaid utilities	6,873	5,067
ACP grant	-	44,318
Deposits received - land sales	-	5,000
	<u>\$ 41,804</u>	<u>\$ 92,166</u>

7. CONTAMINATED SITES LIABILITY

The Town has adopted PS3260 Liability for Contaminated Sites. The Town did not identify any financial liabilities (2023 - nil) as a result of this standard.

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

8. DEBT LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/2000 for the Town be disclosed as follows:

	2024	2023
Total debt limit	\$ 3,223,448	\$ 3,206,147
Total debt	-	-
Amount of debt limit unused	3,223,448	3,206,147
Debt servicing limit	537,241	534,358
Debt servicing	-	-
Amount of debt servicing limit unused	537,241	534,358

The debt limit is calculated at 1.5 times revenue of the Town (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Town. Rather, the consolidated financial statements must be interpreted as a whole.

9. EQUITY IN TANGIBLE CAPITAL ASSETS

	2024	2023
Tangible capital assets (Schedule 2)	\$ 28,097,377	\$ 27,568,245
Accumulated amortization (Schedule 2)	(15,864,013)	(15,168,580)
Asset retirement obligation (Note 6)	(307,409)	(295,585)
	<u>\$ 11,925,955</u>	<u>\$ 12,104,080</u>

10. ACCUMULATED SURPLUS

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

	2024	2023
Unrestricted surplus	\$ 922,547	\$ 1,061,269
Restricted surplus		
Operating reserves	46,640	46,359
Capital reserves	954,374	1,032,513
Equity in tangible capital assets (Note 9)	11,925,955	12,104,080
	<u>\$ 13,849,516</u>	<u>\$ 14,244,221</u>

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

11. SEGMENTED DISCLOSURE

The Town provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosure (Schedule 6).

12. SALARY AND BENEFITS DISCLOSURE

Disclosure of salaries and benefits for municipal officials, the chief administrative office and designated offices as required by Alberta Regulation 313/2000 is as follows:

	Salary (1)	Benefits & Allowances (2)	2024	2023
Mayor Liebelt	\$ 8,025	\$ 269	\$ 8,294	\$ 7,897
Councillor Degenstein	5,850	140	5,990	6,122
Councillor Johnson	6,900	202	7,102	6,043
Councillor Losey	6,475	177	6,652	6,149
Councillor Michaelis	4,425	-	4,425	5,050
Chief Administrative Officer	75,486	14,079	89,565	86,604
Designated Officer - Assessor - (1)	15,904	-	15,904	14,050

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

(2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short-term disability plans, professional memberships and tuition, if any.

Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships, if any.

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

13. BUDGET AMOUNTS

The 2024 budget for the Town was approved by Council on April 23, 2024 and has been reported in the consolidated financial statements for information purposes only. These budget amounts have not been audited, reviewed, or otherwise verified.

The approved budget contained reserve transfers, capital additions and principal payments on debt as expenditures. Since these items are not included in the amounts reported in the consolidated financial statements, they have been excluded from the budget amounts presented in these financial statements.

	2024
Budgeted deficit per financial statements	(234,762)
Less: Capital expenses, net	281,539
Transfer to reserves	-
Add: Amortization	-
Transfers from reserves	(46,777)
Equals approved budget	<u>\$ -</u>

14. FRANCHISE AND CONCESSION CONTRACTS

Disclosure of franchise fees under each utility franchise agreement entered into by the Town as required by Alberta Regulation 313/2000 is as follows:

	Budget (Unaudited)	2024	2023
ATCO natural gas	\$ 90,722	\$ 94,568	\$ 95,649
Fortis electricity	99,278	103,488	99,611
	<u>\$ 190,000</u>	<u>\$ 198,056</u>	<u>\$ 195,260</u>

15. COMMITMENTS AND CONTINGENCIES

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

Employees of the Town are allowed to accrue sick leave up to a maximum of 120 days. As at December 31, 2024 the amount of accumulated sick leave was \$33,186 (2023 - \$24,760). The total amount was not recorded in the consolidated financial statements as there is no certainty the full amount will be used. The amount of accumulated sick leave is not paid out to employees of the Town when they leave their position.

TOWN OF MILK RIVER

Notes to Consolidated Financial Statements

Year Ended December 31, 2024

16. FINANCIAL INSTRUMENTS

The Town's financial instruments consist of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities. It is management's opinion that the Town is not exposed to significant interest or currency risks arising from these financial instruments.

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Town provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of taxpayers and customers minimizes the credit risk.

Unless otherwise noted, the carrying value of the financial instruments approximates fair value.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. The changes do not affect prior year earnings.

18. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

Council and Management have approved these consolidated financial statements.