
TOWN OF TWO HILLS
Financial Statements
Year Ended December 31, 2022

TOWN OF TWO HILLS
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Year Ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Town of Two Hills

Opinion

We have audited the financial statements of Town of Two Hills (the organization), which comprise the statement of financial position as at December 31, 2022, and the statements of operations and accumulated surplus, changes in net financial debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS)

Basis for Opinion

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

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

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

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(continues)

Independent Auditor's Report to the To the Members of Town of Two Hills *(continued)*

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

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

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

**Edmonton, AB
April 25, 2023**

Neube & Landry LLP

Chartered Professional Accountants

TOWN OF TWO HILLS
Statement of Financial Position
December 31, 2022

	2022	2021
FINANCIAL ASSETS		
Cash (Note 2)	\$ 265,314	\$ 951,448
Tax and grants in place of taxes (Note 3)	777,739	662,863
Trade and other receivable (Note 4)	138,963	115,730
Receivable from other governments	598,560	150,060
Land for resale inventory	64,377	64,377
Long term Investments	5,883	5,556
	<u>1,850,836</u>	<u>1,950,034</u>
LIABILITIES		
Bank indebtedness	354,578	-
Accounts payable	238,876	179,417
Current portion of long term debt (Note 8)	259,284	251,995
Deposit liabilities (Note 5)	37,876	40,059
Funds held in trust (Note 6)	112,956	110,694
Deferred income (Note 7)	122,234	293,762
Long term debt (Note 8)	3,183,036	3,441,662
	<u>4,308,840</u>	<u>4,317,589</u>
NET FINANCIAL DEBT	<u>(2,458,004)</u>	<u>(2,367,555)</u>
NON-FINANCIAL ASSETS		
Portfolio investments (Note 9)	1,422,392	1,287,992
Inventory for consumption	28,870	65,600
Tangible capital assets	16,548,362	16,395,458
	<u>17,999,624</u>	<u>17,749,050</u>
ACCUMULATED SURPLUS	<u>\$ 15,541,620</u>	<u>\$ 15,381,495</u>

ON BEHALF OF THE BOARD

_____ Mayor

_____ Administrator

TOWN OF TWO HILLS
Statement of Operations and Accumulated Surplus
Year Ended December 31, 2022

	Budget	2022	2021
REVENUES			
Net municipal taxes	\$ 1,048,415	\$ 1,308,594	\$ 1,048,934
User fees and sales of goods	1,054,757	1,003,373	1,049,238
Government transfers for operating	303,386	561,258	299,666
Concession and franchise	240,000	271,518	235,137
Local improvements	250,308	231,396	204,203
Local government transfers	109,678	95,000	282,912
Penalties and costs of taxes	62,000	66,454	27,852
Rentals	38,218	36,900	38,220
Investment income	750	8,234	7,244
License and permits	5,500	5,165	5,640
Other	300	572	300
	<u>3,113,312</u>	<u>3,588,464</u>	<u>3,199,346</u>
EXPENSES			
Roads, streets, walks, lighting	1,554,302	1,087,556	988,640
Water supply and distribution	720,482	806,183	653,395
Administration	658,472	691,485	654,434
Curling rink operation	138,945	279,890	152,162
Garbage collection	128,524	139,451	122,568
Family and community services	154,824	139,270	158,244
Protective services	80,629	114,144	47,711
Legislative	115,025	111,942	106,066
Sanitary sewer	64,479	100,212	101,157
Arena operations	79,711	82,366	87,866
Community services	87,377	58,601	72,576
Hall operations	252,495	53,930	48,283
Parks and recreation	41,322	48,069	60,297
Library	30,316	29,349	30,645
Storm sewer	-	20,873	20,873
Bylaws enforcement	3,900	-	1,493
	<u>4,110,803</u>	<u>3,763,321</u>	<u>3,306,410</u>
DEFICIT FROM OPERATIONS	(997,491)	(174,857)	(107,064)
OTHER INCOME			
Government transfers for Capital	999,691	334,982	688,969
ANNUAL SURPLUS	2,200	160,125	581,905
ACCUMULATED SURPLUS - BEGINNING OF YEAR	15,381,495	15,381,495	14,799,590
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 15,383,695</u>	<u>\$ 15,541,620</u>	<u>\$ 15,381,495</u>

TOWN OF TWO HILLS
Statement of Changes in Net Financial Debt
Year Ended December 31, 2022

	Budget 2022	2022	2021
ANNUAL SURPLUS	\$ 2,200	\$ 160,125	\$ 581,905
Purchase of tangible capital assets	(664,994)	(784,430)	(890,444)
Decrease (increase) in inventory for consumption	-	36,731	(26,073)
Amortization of tangible capital assets	-	631,525	589,915
Decrease (increase) in portfolio investments	-	(134,400)	(179,200)
	(664,994)	(250,574)	(505,802)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(662,794)	(90,449)	76,103
NET FINANCIAL DEBT - BEGINNING OF YEAR	(2,367,555)	(2,367,555)	(2,443,658)
NET FINANCIAL DEBT - END OF YEAR	\$ (3,030,349)	\$ (2,458,004)	\$ (2,367,555)

TOWN OF TWO HILLS
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Annual surplus	\$ 160,125	\$ 581,905
Item not affecting cash:		
Amortization of property, plant and equipment	<u>631,525</u>	589,915
	<u>791,650</u>	<u>1,171,820</u>
Changes in non-cash working capital:		
Trade and other receivable	(23,233)	(31,734)
Tax and grants in place of taxes	(114,876)	(145,219)
Inventory for consumption	36,730	(26,073)
Accounts payable	59,461	(125,101)
Deposit liabilities	(2,183)	(15,229)
Receivable from other governments	(448,500)	211,318
Deferred income	(171,528)	(154,562)
Funds held in trust	2,262	-
	<u>(661,867)</u>	<u>(286,600)</u>
Cash flow from operating activities	<u>129,783</u>	<u>885,220</u>
CAPITAL		
Purchase of tangible capital assets	<u>(784,430)</u>	(890,444)
Cash flow used by capital	<u>(784,430)</u>	<u>(890,444)</u>
FINANCING ACTIVITIES		
Portfolio investments	(134,400)	(179,200)
Long term Investments	(327)	-
Proceeds from long term financing	-	356,160
Repayment of long term debt	<u>(251,338)</u>	<u>(237,474)</u>
Cash flow used by financing activities	<u>(386,065)</u>	<u>(60,514)</u>
DECREASE IN CASH FLOW	(1,040,712)	(65,738)
Cash - beginning of year	<u>951,448</u>	<u>1,017,186</u>
CASH (DEFICIENCY) - END OF YEAR	\$ (89,264)	\$ 951,448
CASH CONSISTS OF:		
Cash	\$ 265,314	\$ 951,448
Bank indebtedness	<u>(354,578)</u>	<u>-</u>
	<u>\$ (89,264)</u>	<u>\$ 951,448</u>

TOWN OF TWO HILLS
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2022

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2022	2021
Balance, beginning of year	\$ 1,067,522	\$ 712,097	\$ 13,601,876	\$ 15,381,495	\$ 14,799,590
Excess of revenue over expenses	160,125	-	-	160,125	581,905
Restricted funds used for operations	-	-	-	-	-
Current year funds used for TCA	(784,430)	-	784,430	-	-
Annual amortization expense	631,525	-	(631,525)	-	-
Long term debt repaid	(251,338)	-	251,338	-	-
Balance, End of year	\$ 823,404	\$ 712,097	\$ 14,006,119	\$ 15,541,620	\$ 15,381,495

TOWN OF TWO HILLS
Schedule of Tangible Capital Assets
Year Ended December 31, 2022

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2022	2021
COST:								
BALANCE, BEGINNING OF THE YEAR	\$ 97,580	\$ 189,996	\$ 10,054,176	\$ 16,576,633	\$ 2,100,599	\$ 303,453	\$ 29,322,437	\$ 28,431,993
Acquisition of tangible capital assets	-	-	157,575	569,957	56,898	-	784,430	890,444
Disposal of capital assets	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ 97,580	\$ 189,996	\$ 10,211,751	\$ 17,146,590	\$ 2,157,497	\$ 303,453	\$ 30,106,867	\$ 29,322,437
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF THE YEAR	\$ -	\$ 103,508	\$ 3,287,737	\$ 8,141,284	\$ 1,194,629	\$ 199,822	\$ 12,926,980	\$ 12,337,064
Annual amortization	-	6,556	170,775	291,047	139,966	23,181	631,525	589,915
Accumulated amortization on disposal	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	110,064	3,458,512	8,432,331	1,334,595	223,003	13,558,505	12,926,979
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 97,580	\$ 79,932	\$ 6,753,239	\$ 8,714,259	\$ 822,902	\$ 80,450	\$ 16,548,362	\$ 16,395,458
2021 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 97,580	\$ 86,489	\$ 6,766,439	\$ 8,435,349	\$ 905,970	\$ 103,631	\$ 16,395,458	\$ -

TOWN OF TWO HILLS
Schedule of Property and Other Taxes
Year Ended December 31, 2022

(Schedule 1)

	Budget	2022	2021
TAXATION			
Real property taxes	\$ 1,110,000	\$ 1,109,460	\$ 945,714
Business taxes	350,000	373,080	292,915
Linear property taxes	75,000	78,767	66,568
Federal grants in place of property taxes	14,500	14,461	12,520
Provincial grants in place of property taxes	10,000	10,150	8,698
Machinery and equipment	800	832	697
Farm land	120	120	98
Total Taxes and Grant in Lieu	1,560,420	1,586,870	1,327,210
REQUISITIONS			
Alberta School Foundation Fund	215,000	214,717	214,717
Eagle Hill Foundation	64,000	63,559	63,559
	279,000	278,276	278,276
	279,000	278,276	278,276
NET MUNICIPAL TAXES	\$ 1,281,420	\$ 1,308,594	\$ 1,048,934

TOWN OF TWO HILLS
Schedule of Government Transfers
Year Ended December 31, 2022

(Schedule 2)

	Budget	2022	2021
TRANSFERS FOR OPERATING			
Federal Government	\$ 350,000	\$ 283,115	\$ -
Provincial Government	250,000	278,143	299,666
Other Local Government	-	-	-
	<u>600,000</u>	<u>561,258</u>	<u>299,666</u>
TRANSFERS FOR CAPITAL			
Provincial Government	400,000	334,982	640,669
Other Local Government	-	-	282,911
Federal Government	-	-	48,301
	<u>400,000</u>	<u>334,982</u>	<u>971,881</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,000,000</u>	<u>\$ 896,240</u>	<u>\$ 1,271,547</u>

TOWN OF TWO HILLS**Schedule of Consolidated Expenses by Object****(Schedule 3)****Year Ended December 31, 2022**

	Budget	2022	2021
EXPENDITURES BY OBJECT			
Salaries, wages, and benefits	\$ 985,198	\$ 1,024,711	\$ 967,740
Materials, goods, supplies and utilities	933,049	875,430	855,283
Contracted and general services	573,429	794,881	415,520
Amortization of tangible capital assets	600,000	631,525	589,915
Transfers to Individuals and organizations	272,022	183,647	229,837
Purchases from other governments	130,524	129,517	124,800
Interest on capital long term detbt	118,044	118,044	120,519
Bank charges and short term interest	2,000	5,436	1,943
Provision for allowances	900	130	853
TOTAL EXPENDITURES	\$ 3,615,166	\$ 3,763,321	\$ 3,306,410

TOWN OF TWO HILLS
Schedule of Segmented Disclosure
Year Ended December 31, 2022

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environment Services	Other	2022
Revenue								
Net municipal taxes	\$ 1,308,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,308,594
Local improvements	-	-	-	33,709	79,429	118,258	-	231,396
User fees and sale of goods	22,493	44,248	40,559	1,943	-	884,097	10,033	1,003,373
Penalties and costs	66,454	-	-	-	-	-	-	66,454
Licence and permits	4,375	790	-	-	-	-	-	5,165
Franchise and concession contracts	271,518	-	-	-	-	-	-	271,518
Investments income	8,234	-	-	-	-	-	-	8,234
Rentals	36,900	-	-	-	-	-	-	36,900
Federal government conditional transfers	-	-	283,115	-	-	-	-	283,115
Provincial gov't conditional transfers	-	5,000	334,982	-	-	156,494	116,649	613,125
Local government transfers	-	-	-	-	95,000	-	-	95,000
Other revenue	-	572	-	-	-	-	-	572
	\$ 1,718,568	\$ 50,610	\$ 658,656	\$ 35,652	\$ 174,429	\$ 1,158,849	\$ 126,682	\$ 3,923,446
EXPENSES								
Salaries and wages	\$ 514,964	\$ 1,800	\$ 432,840	\$ -	\$ 5,848	\$ 69,259	\$ -	\$ 1,024,711
Contracted and general services	191,063	101,347	28,528	-	233,456	234,795	5,692	794,881
Purchases from other governments	-	-	-	3,500	-	126,017	-	129,517
Materials, goods, supplies and utilities	65,017	9,606	361,602	-	47,386	387,475	4,345	875,431
Provision for allowances	37	-	-	-	-	93	-	130
Transfers to local boards	-	-	-	-	47,327	-	136,319	183,646
Bank charges and short term interest	5,436	-	-	-	-	-	-	5,436
Long term debt interest	5,529	-	2,841	-	26,314	83,360	-	118,044
	782,046	112,753	825,811	3,500	360,331	900,999	146,356	3,131,796
NET REVENUE BEFORE AMORTIZATION	\$ 936,522	\$ (62,143)	\$ (167,155)	\$ 32,152	\$ (185,902)	\$ 257,850	\$ (19,674)	\$ 791,650
Amortization expense	\$ 21,381	\$ 1,391	\$ 270,291	\$ -	\$ 171,851	\$ 165,719	\$ 892	\$ 631,525
NET REVENUE	\$ 915,141	\$ (63,534)	\$ (437,446)	\$ 32,152	\$ (357,753)	\$ 92,131	\$ (20,566)	\$ 160,125

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Town of Two Hills are the representations of management prepared in accordance Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accounts of Canada. Significant aspects of these accounting policies adopted by the Town of Two Hills are as follows:

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenditures, and changes in fund balances and in financial position of the reporting entity. This entity is comprised of the municipal operations plus all the organizations that are owned or controlled by the municipality and are, accountable to the town 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 revenues as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay. Funds from external parties and earnings there on 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 be only 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 that the related expenses are incurred, services performed or the tangible capital assets are acquired.

Measurement uncertainty

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, disclosure of contingent assets and liabilities at the date of the 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.

Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in the value that is other than a temporary decline, the respective investment is written down to recognize the loss.

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Debt Charges Recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures or other long term debt pursuant to annexation orders or joint capital undertakings. These recoveries are recorded at a value that equals the offsetting portion of the unmatured long term debt, less actuarial requirements for the retirement of any sinking fund debentures.

Requisition Over-levies and Under-levy

Over-levies and under-levies arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the over-levy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under-levy is accrued as a receivable and as property tax revenue.

Requisition tax rates in the subsequent year are adjusted for any over-levy or underlevies of the prior year.

Inventory 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 leveling charges. Related development costs incurred to provide infrastructure such as wastewater services, roads, sidewalks and street lighting are recorded as physical assets under the respective function.

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.

Government Transfers

Government transfers are the transfers of assets from senior levels of government that are not the result of exchange transactions, 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 the 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.

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 indented for sale in the normal course of operations. The change in non-financial assets during the year, together with excess of revenues over expenses, provided the consolidated Change in Net Financial Assets (Debt) for the year.

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Capital Assets

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

Land improvements	15 - 25 years	straight-line method
Buildings	25 - 50 years	straight-line method
Water systems	45 - 75 years	straight-line method
Waste water systems	45 - 75 years	straight-line method
Machinery and equipment	5 - 40 years	straight-line method
Other engineered structures	5 - 30 years	straight-line method
Motor vehicles	10 - 25 years	straight-line method

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

1. Contribution 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.

2. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risk 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.

3. Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

4. Cultural and Historical Tangible Capital Assets

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

2. CASH AND BANK INDEBTEDNESS

	<u>2022</u>	<u>2021</u>
Cash	\$ 265,314	\$ 951,448
Line of credit	(354,578)	-
	<u>\$ (89,264)</u>	<u>\$ 951,448</u>

Council has designated funds of \$982,707 (2021 - \$982,707) included in the above amounts for reserves.

Included in cash are a restricted amounts of \$112,956 (2021 - \$110,964) of the funds held in trust.

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2022</u>	<u>2021</u>
Current Taxes and Grants in Lieu	\$ 339,118	\$ 378,776
Arrears Taxes	<u>438,621</u>	<u>284,087</u>
	<u>\$ 777,739</u>	<u>\$ 662,863</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
Trade and other Receivables	\$ 141,700	\$ 111,393
Requisition Under-Levi	44,279	51,741
Less: Allowance for Doubtful Accounts	<u>(47,016)</u>	<u>(47,404)</u>
	<u>\$ 138,963</u>	<u>\$ 115,730</u>

5. DEPOSIT LIABILITIES

	<u>2022</u>	<u>2021</u>
Prepaid Taxes and Utilities	\$ 31,463	\$ 33,646
Land option deposit	2,000	2,000
Water deposits	<u>4,413</u>	<u>4,413</u>
	<u>\$ 37,876</u>	<u>\$ 40,059</u>

6. FUNDS HELD IN TRUST

	<u>2022</u>	<u>2021</u>
Tax Sales surplus	\$ 112,956	\$ 110,694

7. DEFERRED REVENUE

	<u>2022</u>	<u>2021</u>
51 Street Watermain Reservoir	\$ 73,234	\$ 73,234
Broadband Study	49,000	49,000
MSI Capital	<u>-</u>	<u>171,528</u>
	<u>\$ 122,234</u>	<u>\$ 293,762</u>

The use of provincial capital grant funds are restricted to eligible capital projects. The use of provincial operating grant funds are restricted to eligible operating projects. This deferred revenue is not completely supported by cash and temporary investments.

8. LONG TERM DEBT

	<u>2022</u>	<u>2021</u>
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TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

8. LONG TERM DEBT (continued)

	<u>2022</u>	<u>2021</u>
Alberta Capital Finance Authority - 4001581 loan bearing interest at 3.866% per annum, repayable in semi-annual blended payments of \$22,694. The loan matures on December 16, 2033.	\$ 403,560	\$ 432,504
Alberta Capital Finance Authority - 4001161 loan bearing interest at 3.904% per annum, repayable in semi-annual blended payments of \$12,420. The loan matures on June 15, 2031	178,213	195,585
Alberta Capital Finance Authority - 4001162 loan bearing interest at 4.157% per annum, repayable in semi-annual blended payments of \$43,536. The loan matures on June 15, 2041.	1,116,163	1,155,602
Alberta Capital Finance Authority - 4002464 loan bearing interest at 3.204% per annum, repayable in semi-annual blended payments of \$2,712. The loan matures on December 31, 2031.	95,207	97,525
Alberta Capital Finance Authority - 4002698 loan bearing interest at 2.34% per annum, repayable in semi-annual blended payments of \$16,394. The loan matures on December 31, 2048.	210,134	237,393
Alberta Capital Finance Authority - 4001939 loan bearing interest at 2.831% per annum, repayable in semi-annual blended payments of \$24,685. The loan matures on December 15, 2035.	533,844	567,387
Alberta Capital Finance Authority - 4002724 loan bearing interest at 2.26% per annum, repayable in semi-annual blended payments of \$15,602. The loan matures on June 15, 2032	449,066	469,783
Alberta Capital Finance Authority - 4002760 loan bearing interest at 1.1% per annum, repayable in semi-annual blended payments of \$17,518. The loan matures on June 15, 2040.	86,165	119,975
Alberta Capital Finance Authority - 4002465 loan bearing interest at 2.68% per annum, repayable in monthly blended payments of \$17,740. The loan matures on September 17, 2023.	34,780	68,646
Alberta Capital Finance Authority - 4002911 loan bearing interest at 2.519% per annum, repayable in semi-annual blended payments of \$11,389. The loan matures on June 15, 2041.	335,188	349,257
	3,442,320	3,693,657
Amounts payable within one year	(259,284)	(251,995)
	\$ 3,183,036	\$ 3,441,662

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

8. LONG TERM DEBT (continued)

Principal repayment terms are approximately:

2023	\$ 259,284
2024	231,089
2025	220,375
2026	209,597
2027	216,470
Thereafter	<u>2,305,505</u>
	<u>\$ 3,442,320</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and bears interest at rates ranging from 1.1% to 4.157%, and mature in periods 2022 through 2041. The average annual interest rate is 3.31% (2021- 3.45%). Debenture debt is issued on the credit and security of the Town of Two Hills.

Interest on long term debt amounted to \$118,044 (2021 - \$124,800) The Town's total cash payments for interest were \$123,480 (2021- \$126,743)

9. PORTFOLIO INVESTMENTS

The town of Two Hills is a holder of 1,211 Class A Common share of Alberta Central East Water Corporation, which is about 8.89% of the issued shares. Since 2012, the town has made contributions towards the construction of the water pipeline which now provides water to the Town of Two Hills.

The Alberta Central East Water Corporation is a profit oriented entity that is owned and controlled by 14 municipalities in North East Alberta. The Federal government has contributed \$90 million towards the construction of the water pipeline meaning 10 % of the capital is contributed by the municipalities.

During the year, the town contributed \$134,400 towards Alberta Central East Water Corporation.

As of December 31, 2022 ACE water corporation had assets worth over \$90M.

Impairment of ACE corporation has been considered and nothing suggest that there has been any impairment to the value of the corporation.

	<u>2022</u>	<u>2021</u>
Investment in Alberta Central East Water Corporation	<u>\$ 1,422,392</u>	<u>\$ 1,287,992</u>

10. DEBTS LIMITS

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Town of Two Hills be disclosed as follows:

	<u>2022</u>	<u>2021</u>
Total Debt Limit	<u>\$ 5,382,695</u>	<u>\$ 4,799,019</u>
Total Debt	<u>(3,442,320)</u>	<u>(3,693,658)</u>
	<u>\$ 1,940,375</u>	<u>\$ 1,105,361</u>
Service on Debt Limit	<u>\$ 879,116</u>	<u>\$ 799,837</u>

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

10. DEBTS LIMITS (continued)

	<u>2022</u>	<u>2021</u>
Service on Debt	<u>(369,382)</u>	<u>(357,991)</u>
	\$ 527,734	\$ 441,846

The debt limit is calculated at 1.5 times revenue of the municipality (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the municipality. Rather, the financial statements must be interpreted as a whole.

11. EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Tangible Capital Assets (Schedule 2)	\$ 30,106,867	\$ 29,322,437
Accumulated Amortization (Schedule 2)	(13,561,504)	(12,926,979)
Capital Long term debt	(2,539,244)	(2,793,582)
	\$ 14,006,119	\$ 13,601,876

12. ACCUMULATED SURPLUS

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

	<u>2022</u>	<u>2021</u>
Unrestricted Surplus (Deficit)	\$ 823,404	\$ 1,067,522
Restricted Surplus	712,097	712,097
Equity in Tangible Capital Assets	14,006,119	13,601,876
	\$ 15,541,620	\$ 15,381,495

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

13. SALARY & BENEFITS DISCLOSURE

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

	Salary	Benefits & Allowances	2022	2021
<u>Mayor</u>				
Leonard L. Ewanishan	\$ 17,900	\$ 6,835	\$ 24,735	\$ 23,304
<u>Councillors</u>				
Michael Tarkowski	15,550	6,802	22,352	20,404
Rajoo Dharamarajh	16,850	2,502	19,352	16,982
Arnold Romaniuk	14,275	2,500	16,775	3,050
Keegan Thompson	14,400	2,500	16,900	2,850
Elaine Sorochan	-	-	-	16,576
Michael William Babiuk	-	-	-	14,175
	<u>61,075</u>	<u>14,304</u>	<u>75,379</u>	<u>74,037</u>
<u>Town Manager</u>				
Gerren Saskiw	80,861	8,909	89,770	92,667
Ava Clark	35,864	3,991	39,855	-
	<u>116,725</u>	<u>12,900</u>	<u>129,625</u>	<u>92,667</u>
Total	<u>\$ 195,700</u>	<u>\$ 34,039</u>	<u>\$ 229,739</u>	<u>\$ 190,008</u>

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

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.

Benefits and allowances figures also include the Employer's share of the costs of additional taxable benefits including special leave with pay, financial planning services, retirement planning services, travel allowances, and car allowances.

14. SEGMENTED DISCLOSURE

The Town of Two Hills provides a range of services to its ratepayers. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that 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)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2022

15. LOCAL AUTHORITIES PENSION PLAN

Employees of the Town of Two Hills participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The Town is required to make current service contributions to the LAPP of 9.39% of pensionable earning up to the year's maximum pensionable earnings under the Canada Pension Plan and 13.84% for pensionable earnings above this amount.

Total current service contributions by the Town to the LAPP in 2022 were \$42,474 (2021 - \$51,678). Total current service contributions by the employees of the Town to the LAPP in 2022 were \$37,616 (2021 - \$46,377).

At December 31, 2020, the LAPP disclosed an actuarial surplus of \$5 billion.

16. CONTINGENCIES

The Town of Two Hills is a member of the Alberta Municipal Insurance Exchange(MUNIX). Under the terms of membership, the Town of Two Hills 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.

17. FINANCIAL INSTRUMENTS

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

The Town is subject to credit risk with respect to taxes and grants in place of taxes receivable 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 fulfil their obligation. The large number and diversity of taxpayers and customers minimizes the credit risk.

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

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.