
TOWN OF TWO HILLS
Financial Statements
Year Ended December 31, 2023

TOWN OF TWO HILLS
Index to Financial Statements
Year Ended December 31, 2023

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Debt	5
Statement of Cash Flows	6
Schedule of Changes in Accumulated Surplus	7
Schedule of Tangible Capital Assets	8
Schedule of Property and Other Taxes (<i>Schedule 1</i>)	9
Schedule of Government Transfers (<i>Schedule 2</i>)	10
Schedule of Consolidated Expenses by Object (<i>Schedule 3</i>)	11
Schedule of Segmented Disclosure (<i>Schedule 4</i>)	12
Notes to Financial Statements	13 - 22



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, 2023, 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, 2023, 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 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.

Neube & Landry LLP

**Two Hills, AB
May 17, 2024**

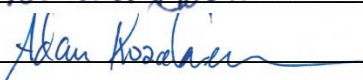
Chartered Professional Accountants

TOWN OF TWO HILLS
Statement of Financial Position
December 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash (Note 2)	\$ 474,988	\$ 265,314
Tax and grants in place of taxes (Note 3)	819,575	777,739
Trade and other receivable (Note 4)	133,488	138,963
Receivable from other governments	231,073	598,560
Land for resale inventory	64,377	64,377
Long term Investments	6,627	5,883
	1,730,128	1,850,836
LIABILITIES		
Bank indebtedness	-	354,578
Accounts payable	136,163	238,876
Current portion of long term debt (Note 9)	231,090	259,284
Deposit liabilities (Note 6)	37,478	37,876
Funds held in trust (Note 7)	112,956	112,956
Deferred income (Note 8)	210,428	122,234
Long term debt (Note 9)	2,952,618	3,183,036
	3,680,733	4,308,840
NET FINANCIAL DEBT	(1,950,605)	(2,458,004)
NON-FINANCIAL ASSETS		
Portfolio investments (Note 10)	1,422,392	1,422,392
Inventory for consumption	35,071	28,870
Tangible capital assets	16,083,140	16,548,362
	17,540,603	17,999,624
ACCUMULATED SURPLUS	\$ 15,589,998	\$ 15,541,620

ON BEHALF OF THE BOARD

 Mayor

 Administrator

TOWN OF TWO HILLS**Statement of Operations and Accumulated Surplus****Year Ended December 31, 2023**

	2023	2023	2022
REVENUES			
Net municipal taxes	\$ 1,372,678	\$ 1,340,943	\$ 1,308,594
User fees and sales of goods	1,044,957	1,097,522	1,003,373
Government transfers for operating	464,660	511,823	561,258
Concession and franchise	296,054	281,664	271,518
Local improvements	250,308	235,372	231,396
Penalties and costs of taxes	60,000	65,732	66,454
Local government transfers	75,000	51,785	95,000
Rentals	37,719	51,235	36,900
Investment income	2,344	27,307	8,234
License and permits	4,700	5,445	5,165
Other	1,000	813	572
	3,609,420	3,669,641	3,588,464
EXPENSES			
Roads, streets, walks, lighting	1,296,244	1,042,837	1,087,556
Administration	649,255	794,563	691,485
Water supply and distribution	657,904	615,138	806,183
Family and community services	154,878	168,486	139,270
Community services	107,956	151,063	58,601
Curling rink operation	41,300	142,928	279,890
Garbage collection	137,424	132,194	139,451
Legislative	127,875	114,949	111,942
Arena operations	94,204	110,513	82,366
Protective services	91,829	95,944	114,144
Sanitary sewer	52,936	93,987	100,212
Hall operations	54,600	66,811	53,930
Parks and recreation	41,936	39,793	48,069
Library	32,296	31,184	29,349
Storm sewer	-	20,873	20,873
Bylaws enforcement	1,500	-	-
	3,542,137	3,621,263	3,763,321
SURPLUS (DEFICIT) FROM OPERATIONS	67,283	48,378	(174,857)
OTHER INCOME	163,454	-	334,982
ANNUAL SURPLUS	230,737	48,378	160,125
ACCUMULATED SURPLUS - BEGINNING OF YEAR	15,541,620	15,541,620	15,381,495
ACCUMULATED SURPLUS - END OF YEAR	\$ 15,772,357	\$ 15,589,998	\$ 15,541,620

TOWN OF TWO HILLS**Statement of Changes in Net Financial Debt****Year Ended December 31, 2023**

	Budget 2023	2023	2022
ANNUAL SURPLUS	\$ 230,737	\$ 48,378	\$ 160,125
Purchase of tangible capital assets	-	(184,799)	(784,430)
Decrease (increase) in inventory for consumption	-	(6,202)	36,731
Amortization of tangible capital assets	-	650,022	631,525
Decrease (increase) in portfolio investments	-	-	(134,400)
	-	459,021	(250,574)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	230,737	507,399	(90,449)
NET FINANCIAL DEBT - BEGINNING OF YEAR	(2,458,004)	(2,458,004)	(2,367,555)
NET FINANCIAL DEBT - END OF YEAR	\$ (2,227,267)	\$ (1,950,605)	\$ (2,458,004)

TOWN OF TWO HILLS
Statement of Cash Flows
Year Ended December 31, 2023

	2023	2022
OPERATING ACTIVITIES		
Annual surplus	\$ 48,378	\$ 160,125
Item not affecting cash:		
Amortization of property, plant and equipment	650,022	631,525
	<u>698,400</u>	<u>791,650</u>
Changes in non-cash working capital:		
Trade and other receivable	5,475	(23,233)
Tax and grants in place of taxes	(41,834)	(114,876)
Inventory for consumption	(6,201)	36,730
Accounts payable	(102,716)	59,461
Deposit liabilities	(398)	(2,183)
Receivable from other governments	367,487	(448,500)
Deferred income	88,194	(171,528)
Funds held in trust	-	2,262
	<u>310,007</u>	<u>(661,867)</u>
Cash flow from operating activities	<u>1,008,407</u>	<u>129,783</u>
CAPITAL		
Purchase of tangible capital assets	(184,800)	(784,430)
Cash flow used by capital	<u>(184,800)</u>	<u>(784,430)</u>
FINANCING ACTIVITIES		
Portfolio investments	-	(134,400)
Long term Investments	(744)	(327)
Repayment of long term debt	(258,611)	(251,338)
Cash flow used by financing activities	<u>(259,355)</u>	<u>(386,065)</u>
INCREASE (DECREASE) IN CASH FLOW	564,252	(1,040,712)
Cash (deficiency) - beginning of year	<u>(89,264)</u>	<u>951,448</u>
CASH (DEFICIENCY) - END OF YEAR	\$ 474,988	\$ (89,264)
CASH CONSISTS OF:		
Cash	\$ 474,988	\$ 265,314
Bank indebtedness	-	(354,578)
	<u>\$ 474,988</u>	<u>\$ (89,264)</u>

TOWN OF TWO HILLS
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2023

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2023	2022
Balance, beginning of year	\$ 823,404	\$ 712,097	\$ 14,006,119	\$ 15,541,620	\$ 15,381,495
Excess of revenue over expenses	48,378	-	-	48,378	160,125
Restricted funds used for operations	-	-	-	-	-
Current year funds used for TCA	(184,800)	-	184,800	-	-
Annual amortization expense	650,022	-	(650,022)	-	-
Long term debt repaid	(258,611)	-	258,611	-	-
Balance, End of year	\$ 1,078,393	\$ 712,097	\$ 13,799,508	\$ 15,589,998	\$ 15,541,620

TOWN OF TWO HILLS
Schedule of Tangible Capital Assets
Year Ended December 31, 2023

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in progress	2023	2022
COST:									
BALANCE, BEGINNING OF THE YEAR	\$ 97,580	\$ 189,996	\$ 10,211,751	\$ 17,146,590	\$ 2,157,497	\$ 303,453	\$ -	\$ 30,106,867	\$ 29,322,437
Acquisition of tangible capital assets	-	-	18,200	92,665	62,995	-	10,940	184,800	784,430
Disposal of capital assets	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	\$ 97,580	\$ 189,996	\$ 10,229,951	\$ 17,239,255	\$ 2,220,492	\$ 303,453	\$ 10,940	\$ 30,291,667	\$ 30,106,867
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF THE YEAR	\$ -	\$ 110,064	\$ 3,458,512	\$ 8,432,331	\$ 1,334,595	\$ 223,003	\$ -	\$ 13,558,505	\$ 12,926,980
Annual amortization	-	6,556	174,290	302,033	143,962	23,181	-	650,022	631,525
Accumulated amortization on disposal	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	116,620	3,632,802	8,734,364	1,478,557	246,184	-	14,208,527	13,558,505
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 97,580	\$ 73,376	\$ 6,597,149	\$ 8,504,891	\$ 741,935	\$ 57,269	\$ 10,940	\$ 16,083,140	\$ 16,548,362
2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 97,580	\$ 79,932	\$ 6,753,239	\$ 8,714,259	\$ 822,902	\$ 80,450	\$ -	\$ 16,548,362	\$ -

TOWN OF TWO HILLS**Schedule of Property and Other Taxes****(Schedule 1)****Year Ended December 31, 2023**

	Budget	2023	2022
TAXATION			
Real property taxes	\$ 1,167,450	\$ 1,121,622	\$ 1,109,460
Business taxes	380,000	383,157	373,080
Linear property taxes	80,000	84,042	78,767
Federal grants in place of property taxes	14,500	12,244	14,461
Provincial grants in place of property taxes	10,000	10,214	10,150
Machinery and equipment	800	885	832
Farm land	120	119	120
Total Taxes and Grant in Lieu	1,652,870	1,612,283	1,586,870
REQUISITIONS			
Alberta School Foundation Fund	214,717	207,210	214,717
Eagle Hill Foundation	65,475	64,130	63,559
	280,192	271,340	278,276
	280,192	271,340	278,276
NET MUNICIPAL TAXES	\$ 1,372,678	\$ 1,340,943	\$ 1,308,594

TOWN OF TWO HILLS**Schedule of Government Transfers****(Schedule 2)****Year Ended December 31, 2023**

	Budget	2023	2022
TRANSFERS FOR OPERATING			
Federal Government	\$ 3,500	\$ -	\$ 283,115
Provincial Government	461,160	459,302	278,143
Other Local Government	-	-	-
	<u>464,660</u>	<u>459,302</u>	<u>561,258</u>
TRANSFERS FOR CAPITAL			
Provincial Government	163,454	-	334,982
Other Local Government	-	-	-
Federal Government	-	-	-
	<u>163,454</u>	<u>-</u>	<u>334,982</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 628,114</u>	<u>\$ 459,302</u>	<u>\$ 896,240</u>

TOWN OF TWO HILLS**Schedule of Consolidated Expenses by Object****(Schedule 3)****Year Ended December 31, 2023**

	Budget	2023	2022
EXPENDITURES BY OBJECT			
Salaries, wages, and benefits	\$ 970,472	\$ 1,036,619	\$ 1,024,711
Materials, goods, supplies and utilities	872,568	852,194	875,430
Amortization of tangible capital assets	600,000	650,022	631,525
Contracted and general services	534,357	558,986	794,881
Transfers to Individuals and organizations	216,578	266,378	183,647
Purchases from other governments	135,924	131,322	129,517
Interest on capital long term detbt	118,044	110,771	118,044
Bank charges and short term interest	2,000	14,971	5,436
Provision for allowances	-	-	130
TOTAL EXPENDITURES	\$ 3,449,943	\$ 3,621,263	\$ 3,763,321

TOWN OF TWO HILLS
Schedule of Segmented Disclosure
Year Ended December 31, 2023

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environment Services	Other	2023
Revenue								
Net municipal taxes	\$ 1,340,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,340,943
Local improvements	-	-	-	35,047	80,115	120,210	-	235,372
User fees and sale of goods	25,933	43,657	23,760	3,077	-	980,328	20,767	1,097,522
Penalties and costs	65,732	-	-	-	-	-	-	65,732
Licence and permits	4,400	1,045	-	-	-	-	-	5,445
Franchise and concession contracts	281,664	-	-	-	-	-	-	281,664
Investments income	27,307	-	-	-	-	-	-	27,307
Rentals	51,235	-	-	-	-	-	-	51,235
Federal government conditional transfers	-	-	-	-	-	-	-	-
Provincial gov't conditional transfers	-	5,000	-	52,521	-	317,988	136,314	511,823
Local government transfers	-	-	-	-	51,785	-	-	51,785
Other revenue	-	813	-	-	-	-	-	813
	\$ 1,797,214	\$ 50,515	\$ 23,760	\$ 90,645	\$ 131,900	\$ 1,418,526	\$ 157,081	\$ 3,669,641
EXPENSES								
Salaries and wages	\$ 569,725	\$ 1,800	\$ 422,141	\$ -	\$ -	\$ 42,953	\$ -	\$ 1,036,619
Contracted and general services	226,104	82,955	28,728	-	131,436	86,315	3,448	558,986
Purchases from other governments	-	-	-	3,500	-	127,822	-	131,322
Materials, goods, supplies and utilities	110,566	9,797	313,773	-	43,857	370,574	3,627	852,194
Provision for allowances	-	-	-	-	-	-	-	-
Transfers to local boards	-	-	-	-	102,231	-	164,147	266,378
Bank charges and short term interest	14,971	-	-	-	-	-	-	14,971
Long term debt interest	4,871	-	1,555	-	24,887	79,458	-	110,771
	926,237	94,552	766,197	3,500	302,411	707,122	171,222	2,971,241
NET REVENUE BEFORE AMORTIZATION	\$ 870,977	\$ (44,037)	\$ (742,437)	\$ 87,145	\$ (170,511)	\$ 711,404	\$ (14,141)	\$ 698,400
Amortization expense	\$ 21,381	\$ 1,391	\$ 292,258	\$ -	\$ 179,030	\$ 155,070	\$ 892	\$ 650,022
NET REVENUE	\$ 849,596	\$ (45,428)	\$ (1,034,695)	\$ 87,145	\$ (349,541)	\$ 556,334	\$ (15,033)	\$ 48,378

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

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.

(continues)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

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.

(continues)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

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>2023</u>	<u>2022</u>
Cash	\$ 474,988	\$ 265,314
Line of credit	-	(354,578)
	<u>\$ 474,988</u>	<u>\$ (89,264)</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, 2023

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	2023	2022
Current Taxes and Grants in Lieu	\$ 345,113	\$ 339,118
Arrears Taxes	474,462	438,621
	\$ 819,575	\$ 777,739

4. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade and other Receivables	\$ 139,010	\$ 141,700
Requisition Under-Levi	41,494	44,279
Less: Allowance for Doubtful Accounts	(47,016)	(47,016)
	\$ 133,488	\$ 138,963

5. RECEIVABLE FROM OTHER GOVERNMENTS

	2023	2022
GST Receivable	\$ 111,945	\$ 74,638
Grants receivable	119,128	523,922
	-	-
	\$ 231,073	\$ 598,560

6. DEPOSIT LIABILITIES

	2023	2022
Prepaid Taxes and Utilities	\$ 31,065	\$ 31,463
Land option deposit	2,000	2,000
Water deposits	4,413	4,413
	\$ 37,478	\$ 37,876

7. FUNDS HELD IN TRUST

	2023	2022
Tax Sales surplus	\$ 112,956	\$ 112,956

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

8. DEFERRED REVENUE

	2023	2022
51 Street Watermain Reservoir	\$ 73,234	\$ 73,234
Broadband Study	49,000	49,000
Restructuring Grant	61,194	-
County Grant	23,215	-
FCM Green Municipal	3,785	-
	\$ 210,428	\$ 122,234

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.

9. LONG TERM DEBT

	2023	2022
Alberta Capital Finance Authority - 4001581 loan bearing interest at 3.866% per annum, repayable in monthly blended payments of \$22,694. The loan matures on December 31, 2032 and is secured by which has a carrying value of \$-.	\$ 373,486	\$ 403,560
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 December 16, 2033.	160,157	178,213
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 December 31, 2032	1,075,066	1,116,163
Alberta Capital Finance Authority - 4002464 loan bearing interest at 3.204% per annum, repayable in monthly blended payments of \$2,712. The loan matures on December 31, 2031.	92,814	95,207
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, 2029.	182,218	210,134
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 June 15, 2041.	499,344	533,844
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 December 31, 2048.	427,878	449,066

(continues)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

9. LONG TERM DEBT *(continued)*

	<u>2023</u>	<u>2022</u>
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 13, 2025	51,983	86,165
Alberta Capital Finance Authority - 4002465 loan bearing interest at 2.68% per annum, repayable in semi-annual blended payments of \$17,740. The loan matures on December 15, 2035.	-	34,780
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, 2040.	320,762	335,188
	3,183,708	3,442,320
Amounts payable within one year	<u>(231,090)</u>	<u>(259,284)</u>
	\$ 2,952,618	\$ 3,183,036

Principal repayment terms are approximately:

2024	\$ 231,090
2025	220,375
2026	209,596
2027	216,470
2028	223,581
Thereafter	<u>2,082,596</u>
	<u>\$ 3,183,708</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)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

10. 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.

	2023	2022
Investment in Alberta Central East Water Corporation	\$ 1,422,392	\$ 1,422,392

11. 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:

	2023	2022
Total Debt Limit	\$ 5,504,462	\$ 5,382,695
Total Debt	(3,183,708)	(3,442,320)
	\$ 2,320,754	\$ 1,940,375
Service on Debt Limit	\$ 917,410	\$ 879,116
Service on Debt	(334,590)	(369,382)
	\$ 582,820	\$ 509,734

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.

12. EQUITY IN TANGIBLE CAPITAL ASSETS

	2023	2022
Tangible Capital Assets (Schedule 2)	\$ 30,291,667	\$ 30,106,867
Accumulated Amortization (Schedule 2)	(14,208,527)	(13,561,504)
Capital Long term debt	(2,283,632)	(2,539,244)
	\$ 13,799,508	\$ 14,006,119

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

13. ACCUMULATED SURPLUS

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

	<u>2023</u>	<u>2022</u>
Unrestricted Surplus (Deficit)	\$ 1,078,333	\$ 823,404
Restricted Surplus	712,097	712,097
Equity in Tangible Capital Assets	<u>13,799,508</u>	<u>14,006,119</u>
	<u>\$ 15,589,938</u>	<u>\$ 15,541,620</u>

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2023

14. 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	2023	2022
<u>Mayor</u>				
Leonard L. Ewanishan	\$ 18,250	\$ 7,451	\$ 25,701	\$ 24,735
<u>Councillors</u>				
Michael Tarkowski	15,875	7,452	23,327	22,352
Rajoo Dharamarajh	16,700	2,704	19,404	19,352
Arnold Romaniuk	16,400	2,500	18,900	16,775
Keegan Thompson	7,700	-	7,700	16,900
Elaine Sorochan	2,100	1,218	3,318	-
	58,775	13,874	72,649	75,379
<u>Town Manager</u>				
Gerren Saskiw	700	-	700	89,770
Ava Clark	-	-	-	39,855
Adam Kozakiewicz	81,458	18,927	100,385	-
	82,158	18,927	101,085	129,625
Total	\$ 159,183	\$ 40,252	\$ 199,435	\$ 229,739

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.

15. 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, 2023

16. 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 2023 were \$56,751 (2022 - \$42,474). Total current service contributions by the employees of the Town to the LAPP in 2023 were \$50,692 (2022 - \$37,616).

At December 31, 2022, the LAPP disclosed an actuarial surplus of \$5.6 billion.

17. 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.

18. 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.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.
