
TOWN OF TWO HILLS
Financial Statements
Year Ended December 31, 2024

TOWN OF TWO HILLS
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Year Ended December 31, 2024

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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, 2024, 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, 2024, 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
March 28, 2025

Chartered Professional Accountants

TOWN OF TWO HILLS
Statement of Financial Position
December 31, 2024

	2024	2023
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,173,923	\$ 474,988
Tax and grants in place of taxes (Note 3)	871,386	819,574
Trade and other receivable (Note 4)	32,687	133,488
Receivable from other governments	252,590	231,073
Long term Investments	7,220	6,627
Land for resale inventory	64,377	64,377
	<u>2,402,183</u>	<u>1,730,127</u>
LIABILITIES		
Accounts payable	190,762	136,163
Current portion of long term debt (Note 9)	220,375	231,090
Deposit liabilities (Note 6)	38,236	37,478
Funds held in trust (Note 7)	13,129	112,956
Deferred income (Note 8)	759,743	210,428
Long term debt (Note 9)	2,732,934	2,952,618
	<u>3,955,179</u>	<u>3,680,733</u>
NET FINANCIAL DEBT	<u>(1,552,996)</u>	<u>(1,950,606)</u>
NON-FINANCIAL ASSETS		
Portfolio investments (Note 10)	1,422,392	1,422,392
Inventory for consumption	44,947	35,071
Tangible capital assets	15,871,319	16,083,141
	<u>17,338,658</u>	<u>17,540,604</u>
ACCUMULATED SURPLUS	<u>\$ 15,785,662</u>	<u>\$ 15,589,998</u>

ON BEHALF OF THE BOARD


 Leonard P. Bowen Mayor


 Administrator

TOWN OF TWO HILLS**Statement of Operations and Accumulated Surplus****Year Ended December 31, 2024**

	Budget 2024	Total 2024	Total 2023
REVENUES			
Net municipal taxes	\$ 1,379,598	\$ 1,370,312	\$ 1,340,943
User fees and sales of goods	1,172,715	1,190,411	1,097,522
Government transfers for operating	548,650	845,881	511,823
Concession and franchise	296,054	272,390	281,664
Local improvements	343,642	233,753	235,372
Penalties and costs of taxes	60,000	75,950	65,732
Local government transfers	105,000	99,914	51,785
Rentals	66,474	45,015	51,235
Investment income	3,300	33,066	27,307
License and permits	5,000	4,311	5,445
Other	1,000	15,033	813
	<u>3,981,433</u>	<u>4,186,036</u>	<u>3,669,641</u>
EXPENSES			
Roads, streets, walks, lighting	1,109,488	1,147,194	1,042,837
Administration	828,257	1,157,716	794,563
Water supply and distribution	637,255	623,892	615,138
Family and community services	155,523	122,237	168,486
Community services	330,212	233,006	151,063
Curling rink operation	172,131	135,991	142,928
Garbage collection	157,102	127,609	132,194
Legislative	139,606	168,560	114,949
Arena operations	110,924	137,891	110,513
Protective services	119,149	53,157	95,944
Sanitary sewer	106,521	70,136	93,987
Hall operations	65,981	74,040	66,811
Parks and recreation	38,280	49,941	39,793
Library	34,856	31,583	31,184
Storm sewer	20,872	20,873	20,873
	<u>4,026,157</u>	<u>4,153,826</u>	<u>3,621,263</u>
SURPLUS (DEFICIT) FROM OPERATIONS	(44,724)	32,210	48,378
OTHER INCOME			
Government transfers for Capital	533,799	163,454	-
ANNUAL SURPLUS	489,075	195,664	48,378
ACCUMULATED SURPLUS - BEGINNING OF YEAR			
	<u>15,589,998</u>	<u>15,589,998</u>	<u>15,541,620</u>
ACCUMULATED SURPLUS - END OF YEAR	\$ 16,079,073	\$ 15,785,662	\$ 15,589,998

TOWN OF TWO HILLS**Statement of Changes in Net Financial Debt****Year Ended December 31, 2024**

	Budget 2024	2024	2023
ANNUAL SURPLUS	\$ 489,075	\$ 195,664	\$ 48,378
Purchase of tangible capital assets	(400,000)	(361,666)	(184,800)
Decrease (increase) in inventory for consumption	-	(9,876)	(6,202)
Amortization of tangible capital assets	600,000	553,818	650,022
Proceeds on disposal of tangible capital assets	-	34,703	-
(Gain) loss on sale of tangible capital assets	-	(15,033)	-
	200,000	201,946	459,020
INCREASE IN NET FINANCIAL ASSETS	689,075	397,610	507,398
NET FINANCIAL DEBT - BEGINNING OF YEAR	(1,950,606)	(1,950,606)	(2,458,004)
NET FINANCIAL DEBT - END OF YEAR	\$ (1,261,531)	\$ (1,552,996)	\$ (1,950,606)

TOWN OF TWO HILLS
Statement of Cash Flows
Year Ended December 31, 2024

	2024	2023
OPERATING ACTIVITIES		
Annual surplus	\$ 195,664	\$ 48,378
Items not affecting cash:		
Amortization of property, plant and equipment	553,818	650,022
Gain on disposal of property, plant and equipment	(15,033)	-
	<u>734,449</u>	<u>698,400</u>
Changes in non-cash working capital:		
Trade and other receivable	100,801	5,475
Tax and grants in place of taxes	(51,811)	(41,834)
Inventory for consumption	(9,876)	(6,201)
Accounts payable	54,599	(102,716)
Deposit liabilities	758	(398)
Receivable from other governments	(21,517)	367,487
Deferred income	549,315	88,194
Funds held in trust	(99,827)	-
	<u>522,442</u>	<u>310,007</u>
Cash flow from operating activities	<u>1,256,891</u>	<u>1,008,407</u>
CAPITAL		
Purchase of tangible capital assets	(361,666)	(184,800)
Proceeds on disposal of property, plant and equipment	34,703	-
Cash flow used by capital	<u>(326,963)</u>	<u>(184,800)</u>
FINANCING ACTIVITIES		
Long term Investments	(593)	(744)
Repayment of long term debt	(230,400)	(258,611)
Cash flow used by financing activities	<u>(230,993)</u>	<u>(259,355)</u>
INCREASE IN CASH FLOW	<u>698,935</u>	<u>564,252</u>
Cash (deficiency) - beginning of year	<u>474,988</u>	<u>(89,264)</u>
CASH - END OF YEAR	<u>\$ 1,173,923</u>	<u>\$ 474,988</u>

TOWN OF TWO HILLS
Schedule of Changes in Accumulated Surplus
Year Ended December 31, 2024

	Unrestricted Surplus	Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
Balance, beginning of year	\$ 1,078,393	\$ 712,097	\$ 13,799,508	\$ 15,589,998	\$ 15,541,620
Excess of revenue over expenses	195,664	-	-	195,664	48,378
Restricted funds used for operations	-	-	-	-	-
Current year funds used for TCA	(361,666)	-	361,666	-	-
Annual amortization expense	553,818	-	(553,818)	-	-
Long term debt repaid	(230,400)	-	230,400	-	-
Balance, End of year	\$ 1,235,809	\$ 712,097	\$ 13,837,756	\$ 15,785,662	\$ 15,589,998

TOWN OF TWO HILLS
Schedule of Tangible Capital Assets
Year Ended December 31, 2024

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	Construction in progress	2024	2023
COST:									
BALANCE, BEGINNING OF THE YEAR	\$ 97,580	\$ 189,996	\$ 10,229,951	\$ 17,239,255	\$ 2,220,492	\$ 303,453	\$ 10,940	\$ 30,291,667	\$ 30,106,867
Acquisition of tangible capital assets	-	-	-	302,306	6,124	50,421	2,815	361,666	184,800
Disposal of capital assets	-	-	-	-	-	(35,764)	-	(35,764)	-
BALANCE, END OF YEAR	\$ 97,580	\$ 189,996	\$ 10,229,951	\$ 17,541,561	\$ 2,226,616	\$ 318,110	\$ 13,755	\$ 30,617,569	\$ 30,291,667
ACCUMULATED AMORTIZATION									
BALANCE, BEGINNING OF THE YEAR	\$ -	\$ 116,620	\$ 3,632,802	\$ 8,734,364	\$ 1,478,557	\$ 246,184	\$ -	\$ 14,208,527	\$ 13,558,505
Annual amortization	-	6,556	167,605	260,165	103,542	15,950	-	553,818	650,022
Accumulated amortization on disposal	-	-	-	-	-	(16,095)	-	(16,095)	-
BALANCE, END OF YEAR	-	123,176	3,800,407	8,994,529	1,582,099	246,039	-	14,746,250	14,208,527
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 97,580	\$ 66,820	\$ 6,429,544	\$ 8,547,032	\$ 644,517	\$ 72,071	\$ 13,755	\$ 15,871,319	\$ 16,083,140
2023 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	\$ -

TOWN OF TWO HILLS**Schedule of Property and Other Taxes****(Schedule 1)****Year Ended December 31, 2024**

	Budget	2024	2023
TAXATION			
Real property taxes	\$ 1,179,075	\$ 1,167,352	\$ 1,121,622
Business taxes	395,878	389,775	383,157
Linear property taxes	85,652	92,642	84,042
Federal grants in place of property taxes	14,600	13,700	12,244
Provincial grants in place of property taxes	10,700	10,659	10,214
Machinery and equipment	950	951	885
Farm land	120	128	119
Total Taxes and Grant in Lieu	1,686,975	1,675,207	1,612,283
REQUISITIONS			
Alberta School Foundation Fund	214,717	212,235	207,210
Eagle Hill Foundation	92,660	92,660	64,130
	307,377	304,895	271,340
	307,377	304,895	271,340
NET MUNICIPAL TAXES	\$ 1,379,598	\$ 1,370,312	\$ 1,340,943

TOWN OF TWO HILLS**Schedule of Government Transfers****(Schedule 2)****Year Ended December 31, 2024**

	Budget	2024	2023
TRANSFERS FOR OPERATING			
Federal Government	\$ 7,490	\$ 130,481	\$ -
Provincial Government	541,160	715,400	459,302
Other Local Government	-	-	-
	<u>548,650</u>	<u>845,881</u>	<u>459,302</u>
TRANSFERS FOR CAPITAL			
Provincial Government	533,799	163,454	-
Other Local Government	-	-	-
Federal Government	-	-	-
	<u>533,799</u>	<u>163,454</u>	<u>-</u>
TOTAL GOVERNMENT TRANSFERS	<u>\$ 1,082,449</u>	<u>\$ 1,009,335</u>	<u>\$ 459,302</u>

TOWN OF TWO HILLS**Schedule of Consolidated Expenses by Object****(Schedule 3)****Year Ended December 31, 2024**

	Budget	2024	2023
EXPENDITURES BY OBJECT			
Salaries, wages, and benefits	\$ 1,204,475	\$ 1,125,799	\$ 1,036,619
Materials, goods, supplies and utilities	935,773	1,016,875	852,194
Amortization of tangible capital assets	553,840	553,818	650,022
Contracted and general services	666,311	804,402	558,986
Transfers to Individuals and organizations	407,578	273,039	266,378
Purchases from other governments	137,000	129,462	131,322
Interest on capital long term detbt	119,680	103,500	110,771
Bank charges and short term interest	1,500	2,505	14,971
Provision for allowances	-	144,426	-
TOTAL EXPENDITURES	\$ 4,026,157	\$ 4,153,826	\$ 3,621,263

TOWN OF TWO HILLS
Schedule of Segmented Disclosure
Year Ended December 31, 2024

(Schedule 4)

	General Government	Protective Services	Transportation Services	Planning & Development	Recreation & Culture	Environment Services	Other	2024
Revenue								
Net municipal taxes	\$ 1,370,312	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,370,312
Local improvements	-	-	-	33,693	79,886	120,174	-	233,753
User fees and sale of goods	30,011	24,452	10,665	3,437	-	1,008,141	2,694	1,079,400
Penalties and costs	75,950	-	-	-	-	-	-	75,950
Licence and permits	3,431	880	-	-	-	-	-	4,311
Franchise and concession contracts	272,390	-	-	-	-	-	-	272,390
Investments income	33,066	-	-	-	-	-	-	33,066
Rentals	45,015	-	-	-	-	-	-	45,015
Federal government conditional transfers	4,200	-	286,410	71,770	-	-	3,325	365,705
Provincial gov't conditional transfers	216,290	-	-	-	-	322,988	104,352	643,630
Local government transfers	-	-	-	-	99,914	-	-	99,914
Other revenue	126,044	-	-	-	-	-	-	126,044
	<u>\$ 2,176,709</u>	<u>\$ 25,332</u>	<u>\$ 297,075</u>	<u>\$ 108,900</u>	<u>\$ 179,800</u>	<u>\$ 1,451,303</u>	<u>\$ 110,371</u>	<u>\$ 4,349,490</u>
EXPENSES								
Salaries and wages	\$ 688,711	\$ 1,835	\$ 407,961	\$ -	\$ -	\$ 27,292	\$ -	\$ 1,125,799
Contracted and general services	482,160	43,311	55,357	-	154,662	65,634	3,278	804,402
Purchases from other governments	-	-	-	3,500	-	125,962	-	129,462
Materials, goods, supplies and utilities	47,374	8,010	482,779	-	46,948	406,112	25,652	1,016,875
Provision for allowances	144,426	-	-	-	-	-	-	144,426
Transfers to local boards	-	-	-	-	154,525	-	118,514	273,039
Bank charges and short term interest	2,505	-	-	-	-	-	-	2,505
Long term debt interest	4,198	-	477	-	23,422	75,403	-	103,500
	<u>1,369,374</u>	<u>53,156</u>	<u>946,574</u>	<u>3,500</u>	<u>379,557</u>	<u>700,403</u>	<u>147,444</u>	<u>3,600,008</u>
NET REVENUE BEFORE AMORTIZATION	<u>\$ 807,335</u>	<u>\$ (27,824)</u>	<u>\$ (649,499)</u>	<u>\$ 105,400</u>	<u>\$ (199,757)</u>	<u>\$ 750,900</u>	<u>\$ (37,073)</u>	<u>\$ 749,482</u>
Amortization expense	\$ 21,381	\$ -	\$ 208,052	\$ -	\$ 181,493	\$ 142,446	\$ 446	\$ 553,818
NET REVENUE	<u>\$ 785,954</u>	<u>\$ (27,824)</u>	<u>\$ (857,551)</u>	<u>\$ 105,400</u>	<u>\$ (381,250)</u>	<u>\$ 608,454</u>	<u>\$ (37,519)</u>	<u>\$ 195,664</u>

TOWN OF TWO HILLS

Notes to Financial Statements

Year Ended December 31, 2024

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.

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TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

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.

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TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

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>2024</u>	<u>2023</u>
Cash	\$ 1,173,923	\$ 474,988
Line of credit	-	-
	<u>\$ 1,173,923</u>	<u>\$ 474,988</u>

Included in cash are a restricted amounts of \$13,129 (2023 - \$112,956) of the funds held in trust.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2024</u>	<u>2023</u>
Current Taxes and Grants in Lieu	\$ 273,174	\$ 345,112
Arrears Taxes	598,212	474,462
	<u>\$ 871,386</u>	<u>\$ 819,574</u>

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

4. TRADE AND OTHER RECEIVABLES

	2024	2023
Trade and other Receivables	\$ 191,568	\$ 139,010
Requisition Under-Levi	-	41,494
Less: Allowance for Doubtful Accounts	<u>(158,881)</u>	<u>(47,016)</u>
	<u>\$ 32,687</u>	<u>\$ 133,488</u>

5. RECEIVABLE FROM OTHER GOVERNMENTS

	2024	2023
GST Receivable	\$ 69,628	\$ 111,945
Grants receivable	<u>182,962</u>	<u>119,128</u>
	<u>-</u>	<u>-</u>
	<u>\$ 252,590</u>	<u>\$ 231,073</u>

6. DEPOSIT LIABILITIES

	2024	2023
Prepaid Taxes and Utilities	\$ 31,823	\$ 31,065
Land option deposit	<u>2,000</u>	<u>2,000</u>
Water deposits	<u>4,413</u>	<u>4,413</u>
	<u>\$ 38,236</u>	<u>\$ 37,478</u>

7. FUNDS HELD IN TRUST

	2024	2023
Tax Sales surplus	\$ 13,129	\$ 112,956

8. DEFERRED REVENUE

	2024	2023
51 Street Watermain Reservoir	\$ 73,234	\$ 73,234
Broadband Study	<u>49,000</u>	<u>49,000</u>
Local Government Fiscal Framework	<u>533,799</u>	-
Northern and Regional Economic Development Program	<u>41,500</u>	-
Small Community Opportunity Program	<u>62,210</u>	-
Restructuring Grant	-	61,194
County Grant	-	23,215
FCM Green Municipal	<u>-</u>	<u>3,785</u>
	<u>\$ 759,743</u>	<u>\$ 210,428</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.

TOWN OF TWO HILLS**Notes to Financial Statements****Year Ended December 31, 2024****9. LONG TERM DEBT**

	<u>2024</u>	<u>2023</u>
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.	\$ 342,239	\$ 373,486
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.	141,389	160,157
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	1,032,244	1,075,066
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.	90,345	92,814
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.	153,628	182,218
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.	463,860	499,344
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.	406,210	427,878
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	17,423	51,983
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.	<u>305,971</u>	<u>320,762</u>
	2,953,309	3,183,708
Amounts payable within one year	<u>(220,375)</u>	<u>(231,090)</u>
	<u>\$ 2,732,934</u>	<u>\$ 2,952,618</u>

Principal repayment terms are approximately:

(continues)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

9. LONG TERM DEBT (continued)

2025	\$ 220,375
2026	209,596
2027	216,470
2028	223,581
2029	227,233
Thereafter	1,856,054
	<u>\$ 2,953,309</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 2024 through 2041. The average annual interest rate is 3.31% (2023 - 3.45%). Debenture debt is issued on the credit and security of the Town of Two Hills.

Interest on long term debt amounted to \$103,500 (2023 - \$110,771). The Town's total cash payments for interest were \$106,005 (2023- \$125,742)

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, 2023 ACE water corporation had Equity in Tangible Capital Assets of \$128M

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

	2024	2023
Investment in Alberta Central East Water Corporation	<u>\$ 1,422,392</u>	<u>\$ 1,422,392</u>

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:

	2024	2023
Total Debt Limit	\$ 6,524,235	\$ 5,504,462
Total Debt	<u>(2,953,309)</u>	<u>(3,183,708)</u>
	<u>\$ 3,570,926</u>	<u>\$ 2,320,754</u>
Service on Debt Limit	\$ 1,087,373	\$ 917,410
Service on Debt	<u>(323,875)</u>	<u>(334,590)</u>

(continues)

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

11. DEBTS LIMITS *(continued)*

	<u>2024</u>	<u>2023</u>
	<u>\$ 763,498</u>	<u>\$ 582,820</u>

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

	<u>2024</u>	<u>2023</u>
Tangible Capital Assets (Schedule 2)	\$ 30,617,569	\$ 30,291,667
Accumulated Amortization (Schedule 2)	(14,746,250)	(14,208,527)
Capital Long term debt	(2,033,563)	(2,283,632)
	<u>\$ 13,837,756</u>	<u>\$ 13,799,508</u>

13. ACCUMULATED SURPLUS

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

	<u>2024</u>	<u>2023</u>
Unrestricted Surplus (Deficit)	\$ 1,235,809	\$ 1,078,333
Restricted Surplus	712,097	712,097
Equity in Tangible Capital Assets	13,837,756	13,799,508
	<u>\$ 15,785,662</u>	<u>\$ 15,589,938</u>

TOWN OF TWO HILLS
Notes to Financial Statements
Year Ended December 31, 2024

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	2024	2023
<u>Mayor</u>				
Leonard L. Ewanishan	\$ 20,1550	\$ 9,1550	\$ 30,1100	\$ 25,1701
<u>Councillors</u>				
Michael Tarkowski	20,600	9,560	30,160	23,327
Rajoo Dharamarajh	23,200	3,440	26,640	19,404
Arnold Romaniuk	20,200	7,100	27,300	18,900
Elaine SoroChan	22,625	9,470	32,1095	3,318
	86,625	29,570	116,195	64,949
<u>Designated Officer - 1</u>				
Adam Kozakiewicz	97,298	12,816	110,114	100,385
Total	\$ 204,473	\$ 51,936	\$ 256,409	\$ 191,035

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 there 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, 2024

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 8.45% 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 2024 were \$54,170 (2023 - \$56,751). Total current service contributions by the employees of the Town to the LAPP in 2023 were \$50,692 (2023 - \$50,692).

At December 31, 2023, the LAPP disclosed an actuarial surplus of 15 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.
