

# TOWN OF TWO HILLS

## FINANCIAL STATEMENTS

31 DECEMBER, 2008

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TOWN OF TWO HILLS

AUDITOR'S REPORT

The Mayor and Council of:  
THE TOWN OF TWO HILLS

I have audited the consolidated statement of financial position of the TOWN OF TWO HILLS as at the 31st of December, 2008 and the consolidated statement of financial activities with changes in fund balances, and the consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Town of Two Hills as at the 31st of December, 2008 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1.



TWO HILLS, ALBERTA  
28 June, 2009

JOHN M. BEALE, CMA  
CERTIFIED MANAGEMENT ACCOUNTANT

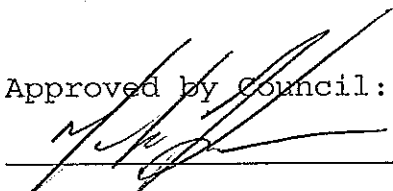
TOWN OF TWO HILLSCONSOLIDATED STATEMENT OF FINANCIAL POSITION

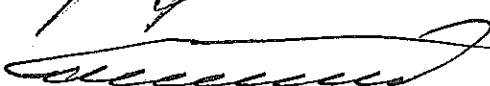
as at 31st December, 2008

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	<u>CURRENT YEAR 2008</u>	<u>PRECEDING YEAR 2007</u>
<u>FINANCIAL ASSETS</u>		
Cash on Hand and on Deposit (Note 2)	\$ 587,033	\$ 971,558
Taxes and Grant In Lieu Receivable (Note 3)	95,683	104,877
Trade and Other Receivable (Note 4)	101,302	90,183
Inventories	34,657	45,513
Prepaid Expenses	11,351	9,310
Investments Long Term	6,214	5,195
<u>PHYSICAL ASSETS</u>		
Land Held for Resale	91,872	133,831
Capital Assets (Note 5)	<u>11,219,456</u>	<u>10,636,085</u>
TOTAL CONSOLIDATED ASSETS	\$ <u>12,147,568</u>	\$ <u>11,996,552</u>
<u>LIABILITIES</u>		
Temporary Bank Indebtedness	\$ -	\$ 211,782
Accounts Payable	102,015	143,333
Unexpended Funds (Note 6)	19,114	-
Other Liabilities	5,404	5,093
Deferred Revenue (Note 7)	7,980	6,757
Long Term Debt (Note 8)	229,603	313,996
Deposit Liabilities (Note 9)	<u>38,818</u>	<u>38,270</u>
	<u>402,934</u>	<u>719,231</u>
<u>MUNICIPAL EQUITY</u>		
Fund Balances		
Operating Fund	2,105	783
Capital Fund (Note 6)	548,997	658,811
Reserve Fund (Note 10)	<u>111,807</u>	<u>161,807</u>
	<u>662,909</u>	<u>821,401</u>
Equity in Capital Assets	<u>11,081,725</u>	<u>10,455,920</u>
TOTAL CONSOLIDATED LIABILITIES	\$ <u>12,147,568</u>	\$ <u>11,996,552</u>

Approved by Council:


  
 \_\_\_\_\_ Mayor


  
 \_\_\_\_\_ Administrator

TOWN OF TWO HILLS

CONSOLIDATED STATEMENT OF OPERATING FINANCIAL ACTIVITIES, AND CHANGES IN FUND

for the year ended the 31st of December, 2008

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	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2007</u>
	<u>Operating</u>	<u>Capital</u>	<u>Reserves</u>	<u>ACTUAL</u>	<u>Budget</u>	<u>ACTUAL</u>
<u>REVENUES</u>						
Net Taxes Available for						
Municipal Purpose (Page 6)	\$ 846,046	-	-	\$ 846,046	\$ 803,646	\$ 750,823
Local Improvements	38,002	-	-	38,002	40,000	38,267
Sales to Other Governments	7,570	-	-	7,570	5,000	10,560
Sales and User Charges	535,062	-	-	535,062	475,308	400,571
Penalties and Costs	14,924	-	-	14,924	20,000	15,720
Licence & Permits	8,264	-	-	8,264	9,850	9,227
Concessions & Franchises	45,865	-	-	45,865	30,000	43,522
Return on Investments	19,292	-	-	19,292	8,000	25,237
Rentals	23,938	-	-	23,938	24,000	25,913
Federal Conditional Grants	-	-	-	-	-	300
Provincial Unconditional Grants	7,202	-	-	7,202	10,486	3,537
Provincial Conditional Grants	196,978	461,271	-	658,249	645,680	755,889
Local Government Transfers	-	-	-	-	500	500
Other	1,811	-	-	1,811	1,000	23,319
	<u>\$ 1,744,954</u>	<u>\$ 461,271</u>	<u>\$ -</u>	<u>\$ 2,206,225</u>	<u>\$ 2,073,470</u>	<u>\$ 2,103,385</u>

TOWN OF TWO HILLS  
CONSOLIDATED STATEMENT OF OPERATING FINANCIAL ACTIVITIES, AND CHANGES IN FUND  
for the year ended the 31st of December, 2008

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	2008	2008	2008	2008	2007
	<u>Operating</u>	<u>Capital</u>	<u>Reserves</u>	<u>Budget</u>	<u>ACTUAL</u>
<u>EXPENDITURES</u>					
Legislative Administration	\$ 88,993	-	-	\$ 65,500	\$ 87,697
Fire	561,241	52,087	-	550,016	523,382
Disaster Services	31,883	15,835	-	46,000	20,886
Ambulance	2,988	-	-	500	-
By-Law Enforcement	32,417	-	-	33,300	25,363
Roads	10,432	-	-	10,000	8,321
Storm Sewers	317,271	267,564	-	915,725	379,502
Water Supply	-	8,476	-	6,000	-
Sanitary Sewer	229,982	159,192	-	274,000	255,227
Garbage Collection	92,461	62,801	-	165,131	206,862
Family & Community Services	101,269	2,247	-	66,193	265,828
Community Service	68,688	-	-	46,790	46,283
Subdivision Land	7,046	-	-	19,250	18,719
Hall Operations	2,300	-	-	-	21,267
Arena Operations	52,204	-	-	58,300	43,774
Curling Rink Operations	14,275	-	-	11,000	11,675
Parks	1,040	-	-	1,200	936
Library	56,278	15,170	-	73,350	59,445
	<u>26,184</u>	<u>-</u>	<u>-</u>	<u>21,750</u>	<u>22,562</u>
	\$ <u>1,696,952</u>	\$ <u>583,372</u>	\$ <u>-</u>	\$ <u>2,364,005</u>	\$ <u>1,997,729</u>
Excess of Revenue over Expenditures	\$ 48,002	\$ (122,101)	\$ -	\$ (290,535)	\$ 105,656
Repayment of Capital Long Term Debt	(84,393)	-	-	(76,465)	(63,557)
Capital Debt Issued	-	-	-	-	175,000
Transferred (to) from Capital Fund	(12,287)	12,287	-	-	-
Transferred (to) from Reserves	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Change in Fund Balances	\$ 1,322	\$ (109,814)	\$ -	\$ (367,000)	\$ 217,099
FUND BALANCE, beginning of year	<u>783</u>	<u>658,811</u>	<u>111,807</u>	<u>821,401</u>	<u>604,302</u>
FUND BALANCE, end year	\$ <u>2,105</u>	\$ <u>548,997</u>	\$ <u>111,807</u>	\$ <u>821,401</u>	\$ <u>821,401</u>

TOWN OF TWO HILLS  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2007</u> <u>ACTUAL</u>
<u>OPERATIONS</u>		
Net Operating Revenue	\$ (74,099)	\$ 105,656
Net Changes in Non Cash Working Capital Balances:		
Decrease (Increase) in Taxes/Grant in Lieu Receivable	9,194	19,404
Decrease (Increase) in Trade and Other Receivables	(11,119)	16,334
Decrease (Increase) in Inventories	10,856	(208)
Decrease (Increase) in Prepaid Expenses	(2,041)	16,606
Increase (Decrease) in Accounts Payable	(41,318)	5,642
Increase (Decrease) in Unexpended Funds	19,114	(21,820)
Increase (Decrease) in Other Current Liabilities	311	2,927
Increase (Decrease) in Deferred Revenue	1,223	1,863
Increase (Decrease) in Deposit Liabilities	<u>548</u>	<u>(5,939)</u>
Net Cash Provided from Operations	\$ <u>(87,331)</u>	\$ <u>140,465</u>
<u>INVESTING</u>		
Decrease (Increase) in Long Term Investments	<u>(1,019)</u>	<u>(249)</u>
<u>FINANCING</u>		
Long Term Debt Issued	\$ -	\$ 175,000
Long Term Debt Repaid	<u>(84,393)</u>	<u>(63,557)</u>
Net Cash Provided from Financing Activities	\$ <u>(84,393)</u>	\$ <u>111,443</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR	\$ (172,743)	\$ 251,659
Net Cash and Temporary Investments at Beginning of Year	<u>759,776</u>	<u>508,117</u>
NET CASH AND TEMPORARY INVESTMENTS AT END OF YEAR	\$ <u>587,033</u>	\$ <u>759,776</u>

TOWN OF TWO HILLSSTATEMENT OF TAXES LEVIEDfor the year ended the 31st of December, 2008

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	2008 <u>ACTUAL</u>	2008 <u>BUDGET</u>	2007 <u>ACTUAL</u>
<u>LEVIES FOR REVENUE</u>			
Residential	\$ 679,308		\$ 621,128
Commercial	189,564		158,705
Industrial	10,910		10,386
Farm Land	<u>100</u>		<u>154</u>
Subtotal	\$ 879,882		\$ 790,373
Power, Pipe, Cable	82,679		84,531
Federal Grant in Lieu	14,125		11,682
Provincial Grant in Lieu	<u>14,702</u>		<u>14,760</u>
Total Taxes and Grant in Lieu	\$ <u>991,388</u>	\$ <u>953,121</u>	\$ <u>901,346</u>
<u>REQUISITIONS</u>			
Supplementary School	129,968	134,100	134,066
Eagle Hill Foundation	<u>15,374</u>	<u>15,374</u>	<u>16,457</u>
	<u>145,342</u>	<u>149,474</u>	<u>150,523</u>
Net Taxes for Municipal Purposes	\$ <u>846,046</u>	\$ <u>803,647</u>	\$ <u>750,823</u>

TOWN OF TWO HILLSSTATEMENT OF CONSOLIDATED EXPENDITURES BY OBJECTfor the year ended the 31st of December, 2008

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	2008 <u>ACTUAL</u>	2008 <u>BUDGET</u>	2007 <u>ACTUAL</u>
<u>EXPENDITURES BY OBJECT</u>			
Salaries, Wages, and Benefits	\$ 659,927	\$ 575,700	\$ 549,992
Contracted and General Service	403,379	291,550	395,647
Purchases from Other Governments	98,038	53,000	53,833
Materials, Goods, Supplies, and Utilities	371,931	317,150	304,914
Transfers to Individuals and Organizations	130,651	108,090	95,581
Bank Charges and Short Term Interest	6,686	3,000	2,937
Interest on Capital Long Term Debt	12,184	14,784	9,971
Physical Assets Acquired	583,372	975,731	563,400
Other Expenditures	<u>14,156</u>	<u>25,000</u>	<u>21,454</u>
Total Expenditures	\$ <u>2,280,324</u>	\$ <u>2,364,005</u>	\$ <u>1,997,729</u>

TOWN OF TWO HILLSSCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>LEGISLATIVE</u>			
<u>REVENUE</u>	\$ _____	\$ _____	\$ _____
<u>EXPENDITURES</u>			
Wages and Benefits	\$ 78,429	\$ 61,000	\$ 81,075
Travel and Subsistence	<u>10,564</u>	<u>4,500</u>	<u>6,622</u>
Total Expenditure	\$ <u>88,993</u>	\$ <u>65,500</u>	\$ <u>87,697</u>
Excess of Expenditures over Revenue	\$ <u>88,993</u>	\$ <u>65,500</u>	\$ <u>87,697</u>



SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	2008 <u>ACTUAL</u>	2008 <u>BUDGET</u>	2007 <u>ACTUAL</u>
<u>ADMINISTRATION</u>			
<u>REVENUE</u>			
Sale of Goods and Services	\$ 41,710	\$ 11,558	\$ 28,064
Provincial Conditional Grants	28,725	-	-
Rentals	21,128	22,000	23,462
Licenses and Permits	1,990	3,000	2,629
Unexpended	-	-	21,820
Federal Conditional Grants	-	-	300
	<u>\$ 93,553</u>	<u>\$ 36,558</u>	<u>\$ 76,275</u>
<u>EXPENDITURES</u>			
Wages and Benefits	\$ 293,611	\$ 260,000	\$ 232,059
Professional Fees	68,822	20,000	89,187
Insurance & Bond	65,265	67,000	63,136
General Supplies	29,218	12,000	22,460
Purchased Repair & Maintenance	29,163	30,000	24,797
Utilities	16,077	22,000	20,242
Freight, Postage, Phone	15,707	22,000	19,539
Rebates & Discounts & Bad Debts	13,498	25,000	20,549
Advertising, Printing, Subscriptions	9,239	10,000	9,480
Donations & Grants	6,809	10,000	4,580
Short Term Borrowing Costs	6,686	5,600	2,937
Training	3,257	3,000	1,645
Travel and Subsistence	2,696	3,500	4,405
Membership Fees	1,193	2,500	2,567
Election Expenses	-	-	5,799
Total Expenditures	<u>\$ 561,241</u>	<u>\$ 492,600</u>	<u>\$ 523,382</u>
Excess of Expenditures over Revenue	\$ 467,688	\$ 451,442	\$ 447,107
Transferred to (from) Capital Fund	<u>12,287</u>	<u>-</u>	<u>-</u>
	<u>\$ 479,975</u>	<u>\$ 451,442</u>	<u>\$ 447,107</u>

SCHEDULE OF REVENUES AND EXPENDITURES

for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>FIRE</u>			
<u>REVENUE</u>			
Sales to Other Governments	\$ 6,018	\$ 5,000	\$ 10,560
Sales of Services	5,370	16,000	258
Other	170	-	-
Local Government Conditional Grant	<u>-</u>	<u>500</u>	<u>500</u>
	\$ <u>11,558</u>	\$ <u>21,500</u>	\$ <u>11,318</u>
<u>EXPENDITURES</u>			
General Purchased Services	\$ 20,205	\$ 14,000	\$ 10,968
Materials and Supplies	5,359	5,000	3,536
Utilities	5,198	5,500	5,048
Telephone	881	1,500	1,334
Training	<u>240</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ <u>31,883</u>	\$ <u>26,000</u>	\$ <u>20,886</u>
Excess of Expenditures over Revenue	\$ <u>20,325</u>	\$ <u>2,500</u>	\$ <u>9,568</u>

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>DISASTER SERVICES</u>			
<u>REVENUE</u>			
Provincial Grant	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>EXPENDITURES</u>			
Purchased Services	\$ 2,257	\$ -	\$ -
Fees	<u>731</u>	<u>500</u>	<u>-</u>
Total Expenditures	\$ <u>2,988</u>	\$ <u>500</u>	\$ <u>-</u>
Excess of Expenditures over Revenue	\$ <u>2,988</u>	\$ <u>500</u>	\$ <u>-</u>

SCHEDULE OF REVENUES AND EXPENDITURES  
for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>AMBULANCE</u>			
<u>REVENUE</u>			
Provincial Conditional Grant	\$ <u>18,123</u>	\$ <u>18,123</u>	\$ <u>18,123</u>
 <u>EXPENDITURES</u>			
General Purchased Services	\$ <u>32,417</u>	\$ <u>33,300</u>	\$ <u>25,363</u>
Excess of Expenditures over Revenue	\$ <u>14,294</u>	\$ <u>15,177</u>	\$ <u>7,240</u>

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>BY-LAW ENFORCEMENT</u>			
<u>REVENUE</u>			
Licenses and Permits	\$ <u>1,145</u>	\$ <u>850</u>	\$ <u>823</u>
 <u>EXPENDITURES</u>			
General Purchased Services	\$ <u>10,432</u>	\$ <u>10,000</u>	\$ <u>8,321</u>
Excess of Expenditures over Revenue	\$ <u>9,287</u>	\$ <u>9,150</u>	\$ <u>7,498</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>ROADS</u>			
<u>REVENUE</u>			
Sale of Goods and Services	\$ 33,726	\$ 8,000	\$ 10,130
Provincial Conditional Grant	<u>29,535</u>	<u>-</u>	<u>-</u>
	\$ <u>63,261</u>	\$ <u>8,000</u>	\$ <u>10,130</u>
<u>EXPENDITURES</u>			
Wages and Benefits	\$ 103,966	\$ 89,200	\$ 77,011
Utilities	60,470	60,000	55,622
Materials and Supplies	56,435	30,000	40,670
Equipment Repair & Maintenance	34,806	30,000	29,411
General Purchased Services	17,330	14,000	21,291
Fuel & Oil	22,725	15,000	12,706
Construction & Maintenance Materials	9,397	15,000	12,367
Telephone, Freight, Postage	8,701	10,000	7,533
Long Term Debt Interest	<u>3,441</u>	<u>3,441</u>	<u>4,691</u>
Total Expenditures	\$ <u>317,271</u>	\$ <u>266,641</u>	\$ <u>261,302</u>
Excess of Expenditures over Revenue	\$ 254,010	\$ 258,641	\$ 251,172
Repayment of Capital Long Term Debt	36,866	36,866	35,615
Transferred to (from) Capital Fund	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>290,876</u>	\$ <u>295,507</u>	\$ <u>286,787</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>WATER SUPPLY</u>			
<u>REVENUE</u>			
Sale of Water	\$ 144,488	\$ 140,000	\$ 132,890
Local Improvement	23,364	24,592	23,527
Provincial Conditional Grant	17,256	-	-
Infrastructure	13,116	16,000	6,442
Sale of Goods and Services	<u>10,922</u>	<u>5,600</u>	<u>5,186</u>
Total Revenue	\$ <u>209,146</u>	\$ <u>186,192</u>	\$ <u>168,045</u>
<u>EXPENDITURES</u>			
Purchased Repair & Maintenance	\$ 80,410	\$ 5,000	\$ 25,515
Wages and Benefits	79,273	70,000	62,081
Materials and Supplies	35,486	15,000	17,200
Utilities	27,350	35,000	27,384
Telephone, Freight, Postage	4,142	5,000	4,270
Long Term Debt Interest	2,913	2,500	-
Bad Debts	<u>408</u>	<u>-</u>	<u>577</u>
Total Expenditures	\$ <u>229,982</u>	\$ <u>132,500</u>	\$ <u>137,027</u>
Excess of Expenditures over Revenue	\$ <u>20,836</u>	\$ <u>(53,692)</u>	\$ <u>(31,018)</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008 ACTUAL</u>	<u>2008 BUDGET</u>	<u>2007 ACTUAL</u>
<u>SANITARY SEWER</u>			
<u>REVENUE</u>			
Sewage Services	\$ 62,016	\$ 61,000	\$ 61,646
Infrastructure	19,466	23,000	9,570
Local Improvements	14,638	15,408	14,740
Provincial Conditional Grant	<u>8,860</u>	<u>-</u>	<u>-</u>
Total Revenue	\$ <u>104,980</u>	\$ <u>99,408</u>	\$ <u>85,956</u>
<u>EXPENDITURES</u>			
Wages and Benefits	\$ 42,525	\$ 36,000	\$ 31,158
Equipment Repair & Maintenance	28,047	22,000	20,264
Materials and Supplies	7,794	10,000	7,159
Utilities	7,067	4,000	6,746
Chemicals	<u>7,028</u>	<u>4,000</u>	<u>2,277</u>
Total Expenditures	\$ <u>92,461</u>	\$ <u>76,000</u>	\$ <u>67,604</u>
Excess of Expenditures over Revenue	\$ (12,519)	\$ (23,408)	\$ (18,352)
Transfer to (from) Capital Fund	<u>-</u>	<u>9,000</u>	<u>-</u>
	\$ <u>(12,519)</u>	\$ <u>(14,408)</u>	\$ <u>(18,352)</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>GARBAGE COLLECTION</u>			
<u>REVENUE</u>			
Garbage Services	\$ 127,363	\$ 126,000	\$ 125,150
Provincial Conditional Grant	<u>35,351</u>	<u>-</u>	<u>-</u>
	\$ <u>162,714</u>	\$ <u>126,000</u>	\$ <u>125,150</u>
<u>EXPENDITURES</u>			
Regional Landfill	\$ 56,672	\$ 50,000	\$ 33,821
Contract with County	35,366	1,500	20,036
Long Term Debt Interest	7,493	7,493	3,728
Wages and Benefits	1,448	2,200	11,642
Bad Debts	250	-	328
Materials and Supplies	40	5,000	668
General Purchased Service	<u>-</u>	<u>-</u>	<u>33,012</u>
Total Expenditures	\$ <u>101,269</u>	\$ <u>66,193</u>	\$ <u>103,235</u>
Excess of Expenditures over Revenue	\$ (61,445)	\$ (59,807)	\$ (21,915)
Repayment of Capital Long Term Debt	32,380	32,380	13,398
Transfer to Reserves	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>(29,065)</u>	\$ <u>(27,427)</u>	\$ <u>(8,517)</u>

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>FAMILY AND COMMUNITY SUPPORT SERVICES</u>			
<u>REVENUE</u>			
Provincial Conditional Grant	\$ 55,728	\$ 37,026	\$ 37,026
Local Government Conditional Grant	<u>1,552</u>	<u>-</u>	<u>-</u>
	\$ <u>57,280</u>	\$ <u>37,026</u>	\$ <u>37,026</u>
<u>EXPENDITURES</u>			
Contracted Services	\$ 68,179	\$ 46,790	\$ 46,283
General Purchased Services	<u>509</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ <u>68,688</u>	\$ <u>46,790</u>	\$ <u>46,283</u>
Excess of Expenditures over Revenue	\$ <u>11,408</u>	\$ <u>9,764</u>	\$ <u>9,257</u>

SCHEDULE OF REVENUES AND EXPENDITURES

for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>COMMUNITY SERVICES</u>			
<u>REVENUE</u>	\$ <u>      -</u>	\$ <u>      -</u>	\$ <u>      -</u>
<u>EXPENDITURES</u>			
Economic Development	\$ 3,374	\$ 10,000	\$ 9,442
Cemetary Improvements	2,118	-	-
Municipal Planning	1,308	10,000	-
BIAC Program	246	250	221
Wages and Benefits	<u>      -</u>	<u>      -</u>	<u>9,056</u>
Total Expenditure	\$ <u>7,046</u>	\$ <u>19,250</u>	\$ <u>18,719</u>
Excess of Expenditures over Revenue	\$ <u>7,046</u>	\$ <u>19,250</u>	\$ <u>18,719</u>

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>SUBDIVISION LAND</u>			
<u>REVENUE</u>	\$ <u>20,128</u>	\$ <u>      -</u>	\$ <u>      977</u>
<u>EXPENDITURES</u>			
General Purchased Services	\$ <u>2,300</u>	\$ <u>      -</u>	\$ <u>9,608</u>
Excess of Expenditures over Revenue	\$ <u>(17,828)</u>	\$ <u>      -</u>	\$ <u>8,631</u>
Transfer to (from) Capital Fund	<u>      -</u>	<u>      -</u>	<u>11,659</u>
	\$ <u>(17,828)</u>	\$ <u>      -</u>	\$ <u>20,290</u>



TOWN OF TWO HILLS  
SCHEDULE OF REVENUES AND EXPENDITURES  
for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>HALL OPERATIONS</u>			
<u>REVENUE</u>			
Rentals	\$ 17,748	\$ 18,000	\$ 17,326
Sale of Goods and Services	<u>509</u>	<u>150</u>	<u>50</u>
Total Revenue	\$ <u>18,257</u>	\$ <u>18,150</u>	\$ <u>17,376</u>
<u>EXPENDITURES</u>			
Utilities	\$ 17,699	\$ 24,000	\$ 21,537
Wages and Benefits	17,353	15,800	9,704
Materials and Supplies	9,935	8,000	6,268
General Purchased Services	5,833	10,000	4,979
Telephone, Freight, Postage	<u>1,384</u>	<u>500</u>	<u>1,286</u>
Total Expenditures	\$ <u>52,204</u>	\$ <u>58,300</u>	\$ <u>43,774</u>
Excess of Expenditures over Revenue	\$ 33,947	\$ 40,150	\$ 26,398
Transfer to (from) Capital Fund	<u>-</u>	<u>7,600</u>	<u>-</u>
	\$ <u>33,947</u>	\$ <u>47,750</u>	\$ <u>26,398</u>

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>ARENA OPERATIONS</u>			
<u>REVENUE</u>			
Donations	\$ -	\$ -	\$ -
<u>EXPENDITURES</u>			
General Purchased Services	\$ 8,874	\$ 6,000	\$ 7,815
Wages and Benefits	4,388	3,500	2,792
Telephone, Freight, Postage	1,013	1,000	972
Materials and Supplies	<u>-</u>	<u>500</u>	<u>96</u>
Total Expenditures	\$ <u>14,275</u>	\$ <u>11,000</u>	\$ <u>11,675</u>
Excess of Expenditures over Revenue	\$ <u>14,275</u>	\$ <u>11,000</u>	\$ <u>11,675</u>

SCHEDULE OF REVENUES AND EXPENDITURES  
for the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>CURLING RINK OPERATIONS</u>			
<u>REVENUE</u>	\$ <u>      -</u>	\$ <u>      -</u>	\$ <u>      -</u>
<u>EXPENDITURES</u>			
Telephone, Freight, Postage	\$     907	\$   1,000	\$     861
General Purchased Services	<u>      133</u>	<u>      200</u>	<u>      75</u>
Total Expenditures	\$ <u>  1,040</u>	\$ <u>  1,200</u>	\$ <u>   936</u>
Excess of Expenditures over Revenue	\$ <u>  1,040</u>	\$ <u>  1,200</u>	\$ <u>   936</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>PARKS OPERATIONS</u>			
<u>REVENUE</u>			
Other	\$ 12,423	\$ -	\$ 3,513
Provincial Conditional Grants	<u>3,400</u>	<u>3,400</u>	<u>3,400</u>
Total Revenue	\$ <u>15,823</u>	\$ <u>3,400</u>	\$ <u>6,913</u>
<u>EXPENDITURES</u>			
Wages and Benefits	\$ 38,933	\$ 38,000	\$ 33,415
Materials and Supplies	8,202	7,000	6,395
General Purchased Services	5,327	11,500	1,725
Utilities	2,566	3,000	2,869
Long Term Debt Interest	<u>1,250</u>	<u>1,250</u>	<u>1,551</u>
Total Expenditures	\$ <u>56,278</u>	\$ <u>60,750</u>	\$ <u>45,955</u>
Excess of Expenditures over Revenue	\$ 40,455	\$ 57,350	\$ 39,042
Repayment of Capital Long Term Debt	15,148	7,219	14,544
Transferred to (from) Capital Fund	<u>-</u>	<u>5,000</u>	<u>13,490</u>
	\$ <u>55,603</u>	\$ <u>69,569</u>	\$ <u>67,076</u>

SCHEDULE OF REVENUES AND EXPENDITURESfor the year ended the 31st of December, 2008

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	<u>2008</u> <u>ACTUAL</u>	<u>2008</u> <u>BUDGET</u>	<u>2007</u> <u>ACTUAL</u>
<u>LIBRARY</u>			
<u>REVENUE</u>			
Rentals	\$ <u>2,809</u>	\$ <u>2,000</u>	\$ <u>2,450</u>
 <u>EXPENDITURES</u>			
Alice Melnyk	\$ 19,331	\$ 18,000	\$ 15,526
Northern Lights	3,917	-	3,829
Utilities	2,847	3,000	2,744
General Purchased Services	<u>89</u>	<u>750</u>	<u>463</u>
Total Expenditures	\$ <u>26,184</u>	\$ <u>21,750</u>	\$ <u>22,562</u>
Excess of Expenditures over Revenue	\$ <u>23,375</u>	\$ <u>19,750</u>	\$ <u>20,112</u>

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT  
31st of December, 2008

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1. SIGNIFICANT ACCOUNTING POLICIES

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

a) 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. The 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.

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues.

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 are recognized in the financial statements as revenue in the period that the events giving rise to the transfer occurred, providing the transfers are authorized, the municipality has meet any eligibility criteria, and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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d) Fund Accounting

Management funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Proceeds from subdivision development land sales are recorded as operating fund revenues.

e) 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.

f) 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.

g) Inventories

Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with cost determined by the average cost method.

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

h) Capital Assets

Capital assets are reported as expenditures in the period they are acquired.

Capital assets are recorded at cost except for donated assets, which are recorded at estimated fair value.

Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related asset costs. Capital assets for government purposes are not depreciated.

i) Tangible Capital Assets

During 2008, The Town of Two Hills continued to work towards compliance with the new recommendations for accounting for tangible assets. The town has obtained a complete listing and values for all land, building, machinery and equipment, vehicles, and engineering structures except the sewer system. The valuation of the Sewer system is currently underway and expected to be completed by December 31, 2009.

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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j) Over-levies and Under-levies

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.

k) Prepaid Local Improvement Charges

Construction and borrowing costs associated with local improvement projects are recovered through annual special property assessments during the period of the related borrowing. These levies are collectable from property owners for work performed by the municipality. Where a taxpayer has elected to prepay the outstanding local improvement charges, such amounts are recorded as deferred revenue. Deferred revenue is amortized to revenue on a straight line basis over the remaining term of the related borrowing. In the event that the prepaid amounts are applied against the related borrowing, the deferred revenue is amortized to revenue by an amount equal to the debt repayment.

l) Operating Fund

Operating fund represents the amounts available to offset future operational revenue requirements (or the shortfall which will be financed from future operational revenue).

m) Capital Fund

Capital fund represents the amounts available to finance (or the shortfall in financing available for) capital projects.

n) Reserve Fund

Reserve fund represents the amounts set aside to finance future operating and capital expenditures. Reserves are established at the discretion of Council. Transfers to and/or from the reserve fund are reflected as an adjustment to the respective fund.

o) Equity in Capital Assets

Equity in capital assets represents the Town of Two Hills net investment in its capital assets after deducting the portion financed by third parties through debenture, bond and mortgage debts, long term capital borrowing, capitalized leases and other capital liabilities which will be repaid by the municipality.

p) Interest on Long Term Debt

Interest on long term debt is recorded as an expenditure as payment is made and there is no accrual for long term debt interest payable at the end of the year.

q) Pension Expenditure

The Town participates in a multi-employer defined benefit plan. This plan is accounted for as a defined contribution plan.

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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r) Allowance for Operating and Physical Assets

Allowances for asset valuations are netted against the related asset and are segregated between operating and capital purposes. Increases in allowances are recorded as an expenditure while decreases in allowances are recorded as a revenue in the respective operating and capital fund.

2. CASH AND TEMPORARY INVESTMENTS

	<u>2008</u>	<u>2007</u>
Cash	\$ 405,240	\$ 212,772
Temporary Investments	<u>181,793</u>	<u>758,786</u>
	<u>\$ 587,033</u>	<u>\$ 971,558</u>

Temporary investments are short term deposits with original maturities of one year or less.

3. TAXES AND GRANTS IN LIEU RECEIVABLES

	<u>2008</u>	<u>2007</u>
Current Taxes and Grants in Lieu	\$ 64,465	\$ 48,672
Arrears Taxes	<u>39,989</u>	<u>74,762</u>
	104,454	123,434
Less: Allowance for Doubtful Accounts	<u>(8,771)</u>	<u>(18,557)</u>
	<u>\$ 95,683</u>	<u>\$ 104,877</u>

4. TRADE AND OTHER RECEIVABLES

	<u>2008</u>	<u>2007</u>
Total Trade and Other Receivables	\$ 130,402	\$ 118,721
Less: Allowance for Doubtful Accounts	<u>29,100</u>	<u>28,538</u>
	<u>\$ 101,302</u>	<u>\$ 90,183</u>

5. CAPITAL ASSETS

	<u>2008</u>	<u>2007</u>
Engineering Structures	\$ 8,218,936	\$ 7,760,592
Machinery and Equipment	1,617,648	1,584,792
Buildings	1,013,234	938,827
Vehicles	223,709	205,945
Land for own Government Uses	<u>145,929</u>	<u>145,929</u>
	<u>\$ 11,219,456</u>	<u>\$ 10,636,085</u>



TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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6. UNEXPENDED FUNDS

Unexpended funds for operating activities changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Municipal Sustainability	\$ <u>-</u>	\$ <u>138,841</u>	\$ <u>119,727</u>	\$ <u>19,114</u>

Unexpended funds for capital activities changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
Street Improvement	\$ 74,136	\$ 73,920	\$ 122,221	\$ 25,835
Water Chlorination	42,774	24,839	-	67,613
Heating/Air Conditioning	28,043	-	10,593	17,450
Municipal Rural Infrastructure	384,228	235,737	274,708	345,257
Municipal Sustainability	102,433	115,628	146,188	71,873
New Deal Grant	14,790	35,986	-	50,776
New Well	-	-	39,967	(39,967)
Garbage Bins	<u>12,407</u>	<u>-</u>	<u>2,247</u>	<u>10,160</u>
	\$ <u>658,811</u>	\$ <u>486,109</u>	\$ <u>595,924</u>	\$ <u>548,997</u>

7. DEFERRED REVENUE

	<u>2008</u>	<u>2007</u>
Prepaid Taxes	\$ 5,017	\$ 4,496
Prepaid Water/Sewer/Garbage	2,681	1,578
Prepaid Other	<u>282</u>	<u>683</u>
	\$ <u>7,980</u>	\$ <u>6,757</u>

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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8. LONG TERM DEBT

	<u>2008</u>	<u>2007</u>
Tax Supported Debentures	\$ 229,603	\$ 313,996
Self Supported Debentures	<u>          -</u>	<u>          -</u>
	\$ <u>229,603</u>	\$ <u>313,996</u>

Principal and interest repayments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 87,920	\$ 8,974	\$ 96,894
2010	66,626	5,624	72,250
2011	52,905	2,948	55,853
2012	<u>22,152</u>	<u>595</u>	<u>22,747</u>
	\$ <u>229,603</u>	\$ <u>18,141</u>	\$ <u>247,744</u>

Debenture debt is repayable to Alberta Municipal Financing Corporation and the Government of Canada and bears interest at rates ranging from 0.00% to 4.971%, and mature in periods 2009 through 2012. The average annual interest rate is 3.88% for 2008 (3.88% for 2007). Debenture debt is issued on the credit and security of the Town of Two Hills.

9. DEPOSIT LIABILITIES

	<u>2008</u>	<u>2007</u>
Water Deposits	\$ 25,958	\$ 24,120
Land Option Deposits	10,100	13,150
Garbage Deposits	<u>2,760</u>	<u>1,000</u>
	\$ <u>38,818</u>	\$ <u>38,270</u>

These deposits are not expected to be reduced during the next year and have therefore been classified as long term.

10. RESERVES

Reserves for operating activities changed as follows:

	<u>2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>2008</u>
General	\$ 94,935	\$ -	\$ 50,000	\$ 44,935
Recreation	<u>66,872</u>	<u>          -</u>	<u>          -</u>	<u>66,872</u>
	\$ <u>161,807</u>	\$ <u>          -</u>	\$ <u>50,000</u>	\$ <u>111,807</u>

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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11. 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:

			<u>2008</u>	<u>2007</u>
	Salary	Benefits & Allowances <sup>(2)</sup>	Total	Total
Mayor - Kussman	14,895	6,455	21,350	
Councillors - Pawliuk	9,575	4,902	14,477	
- Rajoo	11,925	2,815	14,740	
- Saskiw	9,750	379	10,129	
- Sorochan	11,525	6,208	<u>17,733</u>	
			78,429	81,075
Town Manager	88,795	10,926 <sup>(3)</sup>	99,721	84,634

- (1) Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.
- (2) Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plans, professional memberships and tuition.
- (3) 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.

12. DEBT 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>2008</u>	<u>2007</u>
Total Debt Limit	\$ 2,617,431	\$ 2,021,244
Total Debt	<u>229,603</u>	<u>525,778</u>
	\$ <u>2,387,828</u>	\$ <u>1,495,466</u>
Service on Debt Limit	\$ 436,238	\$ 336,874
Service on Debt	<u>96,894</u>	<u>308,359</u>
	\$ <u>339,344</u>	\$ <u>28,515</u>

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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13. LEASES

The Town of Two Hills is leasing a photocopier. This lease calls for payments of \$1,295 quarterly ending in April, 2011.

The Town of Two Hills is leasing a 2009 International 3 Ton Truck. This lease calls for payments of \$1,738.87 monthly ending in September, 2013.

Future payments required:

2009	26,046
2010	26,046
2011	22,161
2012	20,866
2013	15,652

14. 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 Plan serves about 133,000 people and about 389 employers. 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 5.525% of pensionable earning up to the year's maximum pensionable earnings under the Canada Pension Plan and 7.4% for pensionable earnings above this amount. Employees of the Town are required to make current service contributions of 4.525% of pensionable salary up to the year's maximum pensionable salary and 6.4% on pensionable salary above this amount.

Total current service contributions by the Town to the LAPP in 2008 were \$19,190 (2007 - \$14,885). Total current service contributions by the employees of the Town to the LAPP in 2008 were \$19,885 (2007 - \$13,096).

At December 31, 2007, the LAPP disclosed an actuarial deficiency of \$1,288.9 million.

15. 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.

TOWN OF TWO HILLS  
NOTES TO FINANCIAL STATEMENT (Continued)  
31st of December, 2008

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16. 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.

17. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by Council and Management.