

COUNTY OF TWO HILLS NO. 21
Consolidated Financial Statements
Year Ended December 31, 2023

COUNTY OF TWO HILLS NO. 21
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Year Ended December 31, 2023

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the County of Two Hills No. 21 (the Municipality), is responsible for the preparation, accuracy, objectivity and integrity of the accompanying consolidated financial statements and all other information contained within this Financial Report. Management believes that the consolidated financial statements present fairly the Municipality's financial position as at December 31, 2023, and the results of its operations for the year then ended.

The consolidated financial statements have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards (PSAS).

The consolidated financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure the consolidated financial statements are presented fairly in all material respects.

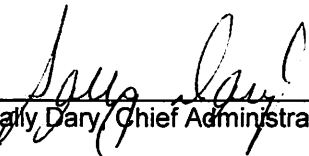
In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information and to meet reporting requirements on a timely basis. The system is designed to provide management with reasonable assurance that transactions are properly authorized and assets are properly accounted for and safeguarded.

These systems are monitored and evaluated by management and reliable financial information is available for preparation of the consolidated financial statements.

The Municipality's Council is responsible for review of the consolidated financial statements. Council meets regularly with management and annually with the external auditors to discuss the results of audit examinations and financial reporting matters.

The external auditors have access to Council with and without the presence of management. Council has approved the consolidated financial statements.

The consolidated financial statements have been audited by Synergy Chartered Professional Accountants, independent external auditors appointed by Council. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Municipality's consolidated financial statements.



Mrs. Sally Dary, Chief Administrative
Officer

Two Hills, Alberta
April 4, 2024



Mr. Murray Phillips, Reeve

Two Hills, Alberta
April 4, 2024

INDEPENDENT AUDITOR'S REPORT

To the Members of County of Two Hills No. 21

Opinion

We have audited the consolidated financial statements of County of Two Hills No. 21 (the Municipality), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2023, and the consolidated results of its operations and consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Municipality in accordance with ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

(continues)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Vegreville, Alberta
April 4, 2024

Synergy
Chartered Professional Accountants

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Financial Position
December 31, 2023

| | 2023 | 2022 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 19,547,170 | \$ 19,906,769 |
| Taxes and grants in place of taxes receivable <i>(Note 3)</i> | 458,385 | 404,135 |
| Receivables from other governments | 82,617 | 45,847 |
| Trade and other receivables | 959,682 | 1,968,016 |
| Long-term investments <i>(Note 4)</i> | 42,841 | 42,841 |
| Debt charges recoverable <i>(Note 5)</i> | 204,546 | 250,688 |
| | 21,295,241 | 22,618,296 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 1,050,726 | 1,791,446 |
| Employee benefit obligations <i>(Note 6)</i> | 247,986 | 214,997 |
| Deposit liabilities <i>(Note 7)</i> | 264,878 | 250,691 |
| Deferred revenue <i>(Note 8)</i> | 1,469,360 | 1,494,454 |
| Due to Two Hills Regional Waste Management Commission <i>(Note 9)</i> | 863,200 | 844,019 |
| Long term debt <i>(Note 10)</i> | 204,546 | 250,688 |
| Provision for gravel pit reclamation <i>(Note 11)</i> | 262,872 | 350,232 |
| | 4,363,568 | 5,196,527 |
| NET FINANCIAL ASSETS | 16,931,673 | 17,421,769 |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets <i>(Schedule 2)</i> | 48,745,992 | 49,526,598 |
| Inventory for consumption <i>(Note 12)</i> | 2,663,923 | 2,325,264 |
| Prepaid expenses | 545,128 | 580,255 |
| | 51,955,043 | 52,432,117 |
| ACCUMULATED SURPLUS <i>(Note 13), (Schedule 1)</i> | \$ 68,886,716 | \$ 69,853,886 |

COMMITMENTS *(Note 14)*

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2023

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|---|------------------------------|---------------|---------------|
| REVENUE | | | |
| Net municipal taxes <i>(Schedule 3)</i> | \$ 7,391,627 | \$ 7,419,803 | \$ 7,202,681 |
| Sales of goods and services | 4,421,298 | 3,862,642 | 4,505,415 |
| Government transfers for operating <i>(Schedule 4)</i> | 739,051 | 755,136 | 459,528 |
| Investment income | 300,150 | 848,874 | 314,393 |
| Penalties and costs of taxes | 353,100 | 431,009 | 391,734 |
| Licenses and permits | 66,652 | 71,567 | 68,664 |
| Other | 60,580 | 182,189 | 185,226 |
| | 13,332,458 | 13,571,220 | 13,127,641 |
| EXPENSES | | | |
| Legislative | 379,385 | 321,855 | 327,335 |
| Administration | 1,985,723 | 1,961,604 | 1,871,059 |
| Protective services | 749,529 | 645,496 | 605,456 |
| Roads, streets, walks, lighting | 9,636,025 | 8,103,412 | 9,153,145 |
| Water supply and distribution | 648,423 | 636,790 | 681,818 |
| Waste management | 359,237 | 332,749 | 399,888 |
| Family and community support | 125,776 | 129,836 | 125,776 |
| Agriculture services | 743,643 | 666,421 | 602,822 |
| Subdivision land development | 62,060 | 53,788 | 60,180 |
| Parks and recreation | 254,597 | 241,941 | 229,311 |
| Library | 43,832 | 43,832 | 41,008 |
| Gas Utility | 4,014,195 | 2,688,033 | 3,754,152 |
| | 19,002,425 | 15,825,757 | 17,851,950 |
| SHORTFALL OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL | (5,669,967) | (2,254,537) | (4,724,309) |
| Government transfers for capital <i>(Schedule 5)</i> | 1,928,638 | 1,287,367 | 1,159,010 |
| SHORTFALL OF REVENUES OVER EXPENSES | (3,741,329) | (967,170) | (3,565,299) |
| ACCUMULATED SURPLUS - BEGINNING OF YEAR | 69,853,886 | 69,853,886 | 73,419,185 |
| ACCUMULATED SURPLUS - END OF YEAR | \$ 66,112,557 | \$ 68,886,716 | \$ 69,853,886 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2023

| | Budget <i>(unaudited)</i> | 2023 | 2022 |
|--|------------------------------|----------------------|----------------|
| SHORTFALL OF REVENUES OVER EXPENSES | \$ (3,741,329) | \$ (967,170) | \$ (3,565,299) |
| Acquisition of tangible capital assets | (2,980,602) | (2,374,964) | (1,751,445) |
| Proceeds on disposal of tangible capital assets | 457,500 | 115,810 | 894,810 |
| (Gain) / Loss on disposal of tangible capital assets | - | (1,816) | 247,359 |
| Amortization of tangible capital assets | 3,075,199 | 2,860,592 | 2,782,942 |
| Amortization added to tangible capital assets | - | 180,984 | 183,846 |
| | 552,097 | 780,606 | 2,357,512 |
| Use (acquisition) of prepaid expenses | - | 35,127 | (172,970) |
| Use (acquisition) of inventory for consumption | - | (338,659) | (765,748) |
| | - | (303,532) | (938,718) |
| | 552,097 | 477,074 | 1,418,794 |
| DECREASE IN NET FINANCIAL ASSETS | (3,189,232) | (490,096) | (2,146,505) |
| NET FINANCIAL ASSETS - BEGINNING OF YEAR | 17,421,769 | 17,421,769 | 19,568,274 |
| NET FINANCIAL ASSETS - END OF YEAR | \$ 14,232,537 | \$ 16,931,673 | \$ 17,421,769 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

| | 2023 | 2022 |
|--|----------------------|----------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES: | | |
| OPERATING ACTIVITIES | | |
| Annual deficit for the year | \$ (967,170) | \$ (3,565,299) |
| Non-cash items included in excess (shortfall) of revenues over expenses: | | |
| Amortization of tangible capital assets | 2,860,592 | 2,782,942 |
| Amortization added to tangible capital assets | 180,984 | 183,846 |
| (Gain) / loss on sale of tangible capital assets | (1,816) | 247,356 |
| | 2,072,590 | (351,155) |
| Non-cash charges to operations (net change): | | |
| Decrease (increase) in taxes and grants in place of taxes receivable | (54,250) | (55,245) |
| Decrease (increase) in receivables from other governments | (36,770) | 185,931 |
| Decrease (increase) in trade and other receivables | 1,008,334 | (546,491) |
| Increase (decrease) in accounts payable and accrued liabilities | (740,720) | 698,362 |
| Increase (decrease) in employee benefit obligations | 32,989 | 17,707 |
| Increase (decrease) in asset retirement obligations | (87,360) | 350,232 |
| Increase (decrease) in deposit liabilities | 14,187 | 6,094 |
| Increase (decrease) in deferred revenue | (25,094) | (34,419) |
| Decrease (increase) in inventory for consumption | (338,659) | (765,748) |
| Decrease (increase) in prepaid expenses | 35,127 | (172,970) |
| | (192,216) | (316,547) |
| Cash provided by (applied to) operating transactions | 1,880,374 | (667,702) |
| CAPITAL | | |
| Acquisition of tangible capital assets | (2,374,964) | (1,751,445) |
| Proceeds on disposal of tangible capital assets | 115,810 | 894,810 |
| Cash provided by (applied to) capital transactions | (2,259,154) | (856,635) |
| FINANCING | | |
| Increase in due to Regional Waste Management Commission | 19,181 | 94,255 |
| Repayment of long term debt | (46,142) | (44,446) |
| Debt charges recovered | 46,142 | 44,446 |
| Cash provided by (applied to) financing transactions | 19,181 | 94,255 |
| INVESTING | | |
| Decrease (increase) in long-term investments | - | 105 |
| Decrease (increase) in restricted cash or cash equivalents | 28,056 | (15,343) |
| Cash provided by (applied to) investing transactions | 28,056 | (15,238) |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (331,543) | (1,445,320) |
| Cash - beginning of year | 18,267,628 | 19,712,948 |
| CASH - END OF YEAR | \$ 17,936,085 | \$ 18,267,628 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows *(continued)*
Year Ended December 31, 2023

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CASH FLOWS SUPPLEMENTARY INFORMATION | | |
| Interest received | \$ 809,292 | \$ 283,855 |
| Interest paid | \$ 11,021 | \$ 12,668 |
| CASH CONSISTS OF: | | |
| Cash and temporary investments <i>(Note 2)</i> | \$ 19,547,170 | \$ 19,906,769 |
| Less: restricted cash or cash equivalents <i>(Note 2)</i> | (1,611,085) | (1,639,141) |
| | \$ 17,936,085 | \$ 18,267,628 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Changes in Accumulated Operating Surplus

(Schedule 1)

Year Ended December 31, 2023

| | Unrestricted Surplus | Internally Restricted Surplus | Equity in Tangible Capital Assets | 2023 | 2022 |
|---|-------------------------|-------------------------------------|--|---------------|---------------|
| BALANCE, BEGINNING OF YEAR | \$ 10,440,667 | \$ 9,886,621 | \$ 49,526,598 | \$ 69,853,886 | \$ 73,419,185 |
| Shortfall of revenues over expenses | (967,170) | - | - | (967,170) | (3,565,299) |
| Restricted funds used for operations | 2,394,566 | (2,394,566) | - | - | - |
| Restricted funds used for tangible capital assets | - | (681,780) | 681,780 | - | - |
| Current year funds used for tangible capital assets | (1,693,184) | - | 1,693,184 | - | - |
| Disposal of tangible capital assets | 113,994 | - | (113,994) | - | - |
| Annual amortization expense | 3,041,576 | - | (3,041,576) | - | - |
| CHANGE IN ACCUMULATED SURPLUS | 2,889,782 | (3,076,346) | (780,606) | (967,170) | (3,565,299) |
| BALANCE, END OF YEAR (Note 13) | \$ 13,330,449 | \$ 6,810,275 | \$ 48,745,992 | \$ 68,886,716 | \$ 69,853,886 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2023

(Schedule 2)

| | Land | Land Improvements | Buildings | Engineered Structures | Machinery & Equipment | Vehicles | 2023 | 2022 |
|---|---------------------|-------------------|---------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|
| COST | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | \$ 2,687,938 | \$ 321,290 | \$ 5,452,076 | \$ 95,803,363 | \$ 18,908,633 | \$ 5,153,088 | \$128,326,388 | \$129,016,658 |
| Acquisition of tangible capital assets | - | - | - | 269,343 | 1,632,860 | 460,300 | 2,362,503 | 1,751,445 |
| Construction-in-progress | - | - | - | 12,461 | - | - | 12,461 | - |
| Disposal of tangible capital assets | - | - | - | (8,596) | (112,380) | (119,384) | (240,360) | (2,441,715) |
| BALANCE, END OF YEAR | 2,687,938 | 321,290 | 5,452,076 | 96,076,571 | 20,429,113 | 5,494,004 | 130,460,992 | 128,326,388 |
| ACCUMULATED AMORTIZATION | | | | | | | | |
| BALANCE, BEGINNING OF YEAR | - | 141,283 | 2,610,042 | 62,707,191 | 9,858,903 | 3,482,371 | 78,799,790 | 77,132,548 |
| Annual amortization | - | 14,120 | 89,914 | 1,816,591 | 802,981 | 317,970 | 3,041,576 | 2,966,788 |
| Accumulated amortization on disposals | - | - | - | (115) | (21,284) | (104,968) | (126,366) | (1,299,546) |
| BALANCE, END OF YEAR | - | 155,403 | 2,699,956 | 64,523,667 | 10,640,600 | 3,695,373 | 81,715,000 | 78,799,790 |
| NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 2,687,938 | \$ 165,887 | \$ 2,752,120 | \$ 31,552,904 | \$ 9,788,513 | \$ 1,798,631 | \$ 48,745,992 | \$ 49,526,598 |
| 2022 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS | \$ 2,687,938 | \$ 180,007 | \$ 2,842,034 | \$ 33,096,172 | \$ 9,049,730 | \$ 1,670,717 | \$ 49,526,598 | |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21**Consolidated Schedule of Property and Other Taxes****(Schedule 3)****Year Ended December 31, 2023**

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|---------------------------------------|------------------------------|---------------------|---------------------|
| TAXATION | | | |
| Residential land and improvements | \$ 3,095,121 | \$ 3,107,693 | \$ 2,964,916 |
| Farmland | 1,970,052 | 1,986,565 | 1,932,545 |
| Non-residential land and improvements | 615,944 | 613,761 | 611,360 |
| Machinery and equipment | 572,540 | 572,958 | 532,949 |
| Linear property | 3,350,157 | 3,350,804 | 3,463,447 |
| | 9,603,814 | 9,631,781 | 9,505,217 |
| REQUISITIONS | | | |
| Alberta School Foundation Fund | 1,678,582 | 1,678,364 | 1,766,449 |
| Eagle Hill Foundation | 522,228 | 522,228 | 523,920 |
| Designated Industrial Property | 11,377 | 11,386 | 12,167 |
| | 2,212,187 | 2,211,978 | 2,302,536 |
| NET MUNICIPAL TAXES | \$ 7,391,627 | \$ 7,419,803 | \$ 7,202,681 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

**Consolidated Schedule of Government Transfers for Operating
Year Ended December 31, 2023**

(Schedule 4)

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|--------------------------------|------------------------------|-------------------|-------------------|
| TRANSFERS FOR OPERATING | | | |
| Provincial | \$ 673,351 | \$ 678,580 | \$ 425,213 |
| Federal grants-operating | 65,700 | 76,556 | 34,315 |
| | \$ 739,051 | \$ 755,136 | \$ 459,528 |

**Consolidated Schedule of Government Transfers for Capital
Year Ended December 31, 2023**

(Schedule 5)

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|------------------------------|------------------------------|---------------------|---------------------|
| TRANSFERS FOR CAPITAL | | | |
| Provincial | \$ 889,638 | \$ 889,638 | \$ 951,675 |
| Federal | 999,000 | 354,248 | 173,550 |
| Local government | 40,000 | 43,481 | 33,785 |
| | \$ 1,928,638 | \$ 1,287,367 | \$ 1,159,010 |

**Consolidated Schedule of Expenses by Object
Year Ended December 31, 2023**

(Schedule 6)

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|---|------------------------------|----------------------|----------------------|
| CONSOLIDATED EXPENSES BY OBJECT | | | |
| Salaries, wages and benefits | \$ 5,866,571 | \$ 5,205,187 | \$ 4,991,410 |
| Contracted and general services | 2,247,665 | 2,256,174 | 2,489,696 |
| Purchases from other governments | 2,337,059 | 1,253,881 | 2,341,541 |
| Materials, goods and utilities | 4,802,563 | 3,550,056 | 4,332,786 |
| Provision for allowances | 410,500 | 438,831 | 376,375 |
| Transfers to other governments | 100,000 | 100,000 | 132,000 |
| Transfers to local boards and agencies | 151,832 | 151,831 | 145,173 |
| Bank charges and short-term interest | 11,036 | 11,021 | 12,668 |
| Amortization of tangible capital assets | 3,075,199 | 2,860,592 | 2,782,942 |
| (Gain)/ loss on sale of tangible capital assets | - | (1,816) | 247,359 |
| | \$ 19,002,425 | \$ 15,825,757 | \$ 17,851,950 |

COUNTY OF TWO HILLS NO. 21

Statement of Operating Revenue And Expenses For The Gas Utility

(Schedule 7)

Year Ended December 31, 2023

| | Budget <i>(Unaudited)</i> | 2023 | 2022 |
|--|------------------------------|--------------|--------------|
| REVENUE | \$ 3,011,085 | \$ 1,843,170 | \$ 2,967,836 |
| PURCHASES | 2,337,059 | 1,253,881 | 2,341,541 |
| GROSS PROFIT | 674,026 | 589,289 | 626,295 |
| OTHER OPERATING REVENUES | | | |
| Other sales and service | 107,600 | 305,607 | 106,625 |
| Penalties and interest income | 20,150 | 44,282 | 35,773 |
| Profit on capital construction | - | 60,000 | 127,366 |
| RMO station operating grant | 6,000 | 7,000 | 12,000 |
| Service charges | 513,992 | 507,587 | 504,900 |
| | 647,742 | 924,476 | 786,664 |
| EXPENSES | | | |
| Amortization | 234,861 | 229,609 | 233,261 |
| Bad debt expense | 5,000 | 19,987 | 240 |
| Council remuneration | 21,500 | 15,787 | 13,871 |
| Insurance, permits, damage claims | 63,350 | 55,703 | 60,653 |
| Memberships, dues, fees | 26,500 | 28,587 | 24,703 |
| Office supplies | 51,800 | 40,784 | 34,749 |
| Professional fees | 15,500 | 13,033 | 15,613 |
| Repair and maintenance | 223,150 | 40,500 | 162,367 |
| Travel and training | 10,500 | 10,332 | 11,725 |
| Utilities | 55,100 | 51,459 | 55,152 |
| Vehicle and equipment costs | 148,900 | 86,115 | 119,234 |
| Wages and benefits | 760,975 | 735,748 | 641,814 |
| Materials and supplies | 60,000 | 106,509 | 52,953 |
| Loss / (gain) on sale of tangible capital asset | - | - | (13,725) |
| | 1,677,136 | 1,434,153 | 1,412,610 |
| EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES | \$ (355,368) | \$ 79,612 | \$ 349 |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Segmented Disclosures
Year Ended December 31, 2023

(Schedule 8)

| | General Government | Protective Services | Transportation Services | Agriculture & Development | Recreation & Culture | Environmental Services | Gas utility | Family & Community Support Services | 2023 |
|---|-----------------------|------------------------|----------------------------|------------------------------|-------------------------|---------------------------|-------------|--|--------------|
| REVENUE | | | | | | | | | |
| Net municipal taxes | \$ 7,419,803 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,419,803 |
| User fees and sales of goods | 19,230 | 199,126 | 486,951 | 34,046 | 24,568 | 458,672 | 2,640,049 | - | 3,862,642 |
| Government transfers | 14,061 | 872 | 1,247,355 | 221,603 | 105,851 | 307,712 | 45,581 | 99,468 | 2,042,503 |
| Investment income | 833,868 | - | - | - | - | - | 15,006 | - | 848,874 |
| Other revenues | 520,577 | - | - | 46,673 | - | 50,506 | 67,009 | - | 684,765 |
| | 8,807,539 | 199,998 | 1,734,306 | 302,322 | 130,419 | 816,890 | 2,767,645 | 99,468 | 14,858,587 |
| EXPENSES | | | | | | | | | |
| Salaries and wages | 1,027,468 | 65,174 | 2,861,942 | 266,433 | 63,900 | 166,632 | 753,638 | - | 5,205,187 |
| Contract and general services | 432,485 | 317,547 | 782,164 | 124,050 | 58,422 | 352,276 | 189,230 | - | 2,256,174 |
| Purchases from/transfers to other governments | 100,000 | - | - | - | - | - | 1,253,881 | - | 1,353,881 |
| Goods and supplies | 284,660 | 206,444 | 2,080,075 | 312,164 | - | 316,291 | 240,586 | 129,836 | 3,550,056 |
| Provision for allowances | 418,844 | - | - | - | - | - | 19,987 | - | 438,831 |
| Transfers to local boards | - | - | - | 8,000 | 143,831 | - | - | - | 151,831 |
| Other expenses | 9,920 | - | (9,739) | - | (559) | 8,481 | 1,102 | - | 9,205 |
| | 2,273,377 | 589,165 | 5,694,442 | 710,647 | 265,594 | 843,680 | 2,458,424 | 129,836 | 12,965,165 |
| NET REVENUE BEFORE AMORTIZATION | | | | | | | | | |
| | 6,534,162 | (389,167) | (3,960,136) | (408,325) | (135,175) | (26,790) | 309,221 | (30,368) | 1,893,422 |
| Amortization expense | | | | | | | | | |
| | 10,084 | 56,331 | 2,408,969 | 9,561 | 20,179 | 125,859 | 229,609 | - | 2,860,592 |
| | 10,084 | 56,331 | 2,408,969 | 9,561 | 20,179 | 125,859 | 229,609 | - | 2,860,592 |
| EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES | | | | | | | | | |
| | \$ 6,524,078 | \$ (445,498) | \$ (6,369,105) | \$ (417,886) | \$ (155,354) | \$ (152,649) | \$ 79,612 | \$ (30,368) | \$ (967,170) |

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The consolidated financial statements of the County of Two Hills No. 21 (the Municipality) are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Significant aspects of the accounting policies adopted by the Municipality are as follows:

(b) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses, changes in fund balances and change in financial position of the reporting entity. This entity is comprised of the municipal operations plus all of the organizations that are owned or controlled by the Municipality and are, therefore, accountable to 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 include trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

(c) Revenue recognition

• Tax revenue

Tax revenues are recognized at the time tax notices are issued. Property tax revenue is based on market value of assessments determined in accordance with the Municipal Government Act. Tax rates are established annually. Assessments are subject to appeal and may change as a result of adjustments made by assessors to correct errors or omissions. Gains or losses on assessment changes or appeals are recorded as adjustments to tax revenue and tax receivables when a written decision is received from the authorized board, or a change is generated by authorized assessment staff.

Requisitions operate as a flow through and are excluded from municipal revenue. Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. This difference is reflected in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

• Government transfers

Government transfers are the transfer of assets from levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. The Municipality recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances the Municipality recognizes revenue as the liability is settled.

• Sales of goods and services

Sales of goods and services revenue is recognized in the period when the related expenses are incurred, services are performed or goods are acquired.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

- Penalties, investment income, licenses and permits
Penalties and costs of taxes, investment income and licenses and permits revenue is recognized as it is earned, measurable and receivable.
- Other revenues
Other revenue sources, such as land rent, lease revenue, donations and other miscellaneous revenue is recognized as it is earned, measurable and receivable.
Gas infill revenue is recognized in the period when the related expenses are incurred, services are performed, goods are received.

(d) 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 consolidated financial statements, and the reported amounts of revenue and expenditures during the period. Where measurement uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. The main estimates relate to:

- Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.
- The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets are areas where management makes significant estimates and assumptions in determining the amount to be recorded in the consolidated financial statements.
- Internally constructed tangible capital assets, consisting mainly of roads and the gas system are costed by using internal documents to determine the costs of the various components of the construction. Such documents include costing reports for projects, machines, timesheets etc.
- Gravel inventory is costed by a similar method using internal documents to determine the cost of crushing. As uncertainty inherently exists in the accurateness of these documents, actual results could differ from the accumulated costs.
- Gravel reclamation liabilities are based on estimates and assumptions using the information available at the end of the reporting period. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total liabilities and will be recognized prospectively, as a change in estimate, when applicable.

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.

(*continues*)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Valuation of financial assets and liabilities

The Municipality's financial assets and liabilities are measured as follows:

| <u>Financial statement component</u> | <u>Measurement</u> |
|--|--|
| Cash | Cost and amortized cost |
| Short term investments | Amortized cost |
| Trade and other receivables | Lower of cost or net recoverable value |
| Investments | Fair value and amortized cost |
| Loan receivable and debt charges recoverable | Amortized cost |
| Accounts payable and accrued liabilities | Cost |
| Deposit liabilities | Cost |
| Bank indebtedness and long term debt | Amortized cost |

(e) Cash and temporary investments

Cash includes cash and temporary investments. Temporary investments are Guaranteed Investment Certificates with maturities less than twelve months from year end date. Temporary investments are valued at cost, which approximates fair value, due to the short period of time to maturity.

(f) Long term investments

Investments are recorded at amortized cost. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(g) Debt charges recoverable

Debt charges recoverable consist of amounts that are recoverable from municipal agencies or other local governments with respect to outstanding debentures. These recoveries are recorded at a value that equals the offsetting portion of the un-matured long term debt.

(h) Non-financial assets

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

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

| | YEARS |
|-------------------------|-------|
| Land improvements | 15-25 |
| Buildings | 25-50 |
| Engineered structures | |
| Roads and bridges | 20-40 |
| Gas system | 35-75 |
| Water system | 25-75 |
| Wastewater system | 35-75 |
| Machinery and equipment | 5-40 |
| Vehicles | 10 |

A full year annual amortization is recorded in the year of acquisition, or in the year the asset is put into service or construction is complete. No amortization is calculated in the year of disposal.

- **Contributions of Tangible Capital Assets**
 Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.
- **Leases**
 Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.
- **Inventories**
 Inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with the cost being determined by the average cost method. Gravel inventory is valued at the amount of royalty plus crushing costs.

(i) Impairment of long lived assets

The Municipality tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

(j) Inventory

The Municipality's inventories of materials and supplies for consumption are valued at the lower of cost or net realizable value with the cost being determined by the average cost method. Gravel inventory is valued at the amount of the royalty plus crushing costs.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Future changes in significant accounting policies

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPA Canada) but are not yet effective for the Municipality. The Municipality is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2024.

Section 3400, "Revenue", which is effective for fiscal years, beginning on or after April 1, 2023. This Section now establishes standards on how to account for and report on revenue. This section differentiates between revenue arising from transactions that include performance obligations and transactions that do not have performance obligations. Earlier adoption is permitted.

Guideline PSG-8, "Purchased Intangibles", which is effective for fiscal years, beginning on or after April 1, 2023. This Guideline allows for purchased intangible assets to be recognized as assets in the public sector entity's financial statements. Earlier adoption is permitted.

Section 3160, "Public Private Partnerships", which is effective for fiscal years, beginning on or after April 1, 2023. This section establishes standards on how to account for certain arrangements between public and private entities. The standard provides guidance on situations where a public entity acquires infrastructure assets using a private sector partner that designs, builds, or finances the infrastructure asset past the point where it is ready for use. Earlier adoption is permitted.

Management is currently assessing the impact of these standards on the financial statements.

(l) Budget figures

Budget figures are included for information purposes only and are not audited.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

2. CASH AND TEMPORARY INVESTMENTS

| | 2023 | 2022 |
|-----------------------|----------------------|----------------------|
| Cash | \$ 1,242,674 | \$ 1,187,251 |
| Temporary investments | 18,304,496 | 18,719,518 |
| | \$ 19,547,170 | \$ 19,906,769 |

The Municipality has an authorized revolving loan with a limit of of \$1,985,000, bearing interest at prime plus 3% (2022 - prime plus 3%). The balance outstanding at December 31, 2023 was Nil (2022 - Nil).

Temporary investments are Guaranteed Investment Certificates with maturities less than twelve months from year end date. Rates vary from 2.5% to 5.65% (2022 - 1.0% to 4.9%).

Council has designated funds of \$6,810,275 (2022 - \$9,886,621) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$1,611,085 (2022 - \$1,639,141) comprised of \$264,878 (2022 - \$250,691) of deposit liabilities and \$1,346,207 (2022 - \$1,388,450) of deferred revenue received from various sources and held exclusively for approved projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Current | \$ 302,496 | \$ 318,913 |
| Arrears | 4,161,333 | 3,715,720 |
| | 4,463,829 | 4,034,633 |
| Less: allowance for uncollectible accounts | (4,005,444) | (3,630,498) |
| | \$ 458,385 | \$ 404,135 |

4. LONG TERM INVESTMENTS

To be involved with Gas Alberta Inc., the Municipality was required to invest in shares and a debenture with Gas Alberta Inc. to provide them with initial operating capital. The debenture is non-interest bearing.

Alberta Central East Water Corporation (ACE) - in order to participate in the water pipeline project, the County of Two Hills No. 21 had to subscribe to shares in the capital stock of ACE.

Details are as follows:

| | 2023 | 2022 |
|---|------------------|------------------|
| 329 Class A common shares in Gas Alberta Inc. | \$ 329 | \$ 329 |
| Debenture receivable from Gas Alberta Inc. | 42,500 | 42,500 |
| 1,240 Class A common voting shares in ACE | 12 | 12 |
| | \$ 42,841 | \$ 42,841 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

5. DEBT CHARGES RECOVERABLE

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| Current debt charges recoverable | \$ 47,904 | \$ 46,142 |
| Non-current debt charges recoverable | 156,642 | 204,546 |
| | \$ 204,546 | \$ 250,688 |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|-------------------|------------------|-------------------|
| 2024 | \$ 47,904 | \$ 6,426 | \$ 54,330 |
| 2025 | 49,734 | 4,596 | 54,330 |
| 2026 | 29,356 | 2,695 | 32,051 |
| 2027 | 7,716 | 2,056 | 9,772 |
| 2028 | 7,927 | 1,845 | 9,772 |
| Thereafter | 61,909 | 6,494 | 68,403 |
| | \$ 204,546 | \$ 24,112 | \$ 228,658 |

The County of Two Hills No. 21 loaned \$500,000 to Eagle Hill Foundation (1995), bearing interest at 3.97%, payable in semi-annual payments of \$22,279, maturing March 15, 2026.

An additional \$150,000 was loaned to the Myrnam Seed Cleaning Co-op Ltd., bearing interest at 2.718% payable in semi-annual payments of \$4,886, maturing September 15, 2035.

These debt charges recoverable are the reciprocal payment of the Alberta Capital Finance Authority loans taken on behalf of these two organizations. (Note 10) - Long-Term Debt.

6. EMPLOYEE BENEFIT OBLIGATIONS

| | 2023 | 2022 |
|----------|-------------|-------------|
| Vacation | \$ 247,986 | \$ 214,997 |

The vacation liability is comprised of the vacation that employees are deferring to future years. Employees have either earned the benefits (and are vested) or are entitled to these benefits within the next budgetary year. The Municipality has accumulating non-vesting sick leave benefits.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

7. DEPOSIT LIABILITIES

| | 2023 | 2022 |
|--------------------------|-------------------|-------------------|
| Public reserve | \$ 209,730 | \$ 198,382 |
| Road and gravel deposits | 46,102 | 43,715 |
| Tax sale surplus | 6,176 | 5,873 |
| Water service deposit | 2,870 | 2,721 |
| | \$ 264,878 | \$ 250,691 |

Public reserve consists of funds received for municipal reserve upon subdivision of land.

Road and gravel deposits are amounts required to be paid by private companies for reclamation deposits or hauling on public roads.

Tax sale surplus consists of surplus funds received from land sold at public auction. These funds are payable to the previous ratepayer under the the guidelines set out in the Municipal Government Act.

Water service deposit consists of an initial amount required to receive utility services.

8. DEFERRED REVENUE

| | Opening balance | Received | Recognized as revenue | 2023 | 2022 |
|---|--------------------|----------------|--------------------------|------------------|------------------|
| <u>Capital Grants</u> | | | | | |
| Canada Community Building Fund | \$ 1,069,928 | \$ 282,140 | \$ (354,248) | \$ 997,820 | \$ 1,069,929 |
| Hairy Hill Transitional Funding | 107,148 | 5,923 | - | 113,071 | 107,148 |
| Strategic Transportation Infrastructure Program - Local Road Bridge | 106,500 | 2,227 | - | 108,727 | 106,500 |
| | 1,283,576 | 290,290 | (354,248) | 1,219,618 | 1,283,577 |
| <u>Operating Grants</u> | | | | | |
| Bridge Upgrade Grant | 45,287 | 2,503 | - | 47,790 | 45,287 |
| Watershed Resiliency Grant | 40,450 | 8,220 | (17,482) | 31,188 | 40,450 |
| Municipal Sustainability Initiative - Operating | 31,754 | 404,467 | (395,319) | 40,902 | 31,754 |
| Emergency Management Preparedness Program Grant | 5,190 | 281 | (5,471) | - | 5,190 |
| Watershed Resiliency and Restoration Program Grant | 4,153 | 32,783 | (20,774) | 16,162 | 4,153 |

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

8. DEFERRED REVENUE *(continued)*

| | Opening balance | Received | Recognized as revenue | 2023 | 2022 |
|---------------------------------------|--------------------|------------|--------------------------|--------------|--------------|
| Municipal Stimulus Program Funding | 1,674 | - | (1,674) | - | 1,674 |
| Fire Gear Grants | - | 26,000 | - | 26,000 | - |
| | 128,508 | 474,254 | (440,720) | 162,042 | 128,508 |
| Other Deferred Revenue | | | | | |
| Roadway Oiling Fee | 72,750 | - | - | 72,750 | 72,750 |
| Ukraine Silent Auction Fund | 8,119 | 330 | (3,000) | 5,449 | 8,119 |
| Subdivision Access | 1,500 | - | - | 1,500 | 1,500 |
| Gas - Infill Deposits | - | 8,000 | - | 8,000 | - |
| | 82,369 | 8,330 | (3,000) | 87,699 | 82,369 |
| | \$ 1,494,453 | \$ 772,874 | \$ (797,968) | \$ 1,469,359 | \$ 1,494,454 |

9. DUE TO TWO HILLS REGIONAL WASTE MANAGEMENT COMMISSION

| | 2023 | 2022 |
|---|------------|------------|
| Due to Two Hills Regional Waste Management Commission | \$ 863,200 | \$ 844,019 |

The County of Two Hills No. 21 provides annual financial and payroll services for the Two Hills Regional Waste Management Commission. Operational and capital funds are retained by the Municipality to provide these services. Amounts due to the Commission are non-interest bearing and have no set repayment terms.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

10. LONG TERM DEBT

| | 2023 | 2022 |
|---------------------------|------------|------------|
| Debt recoverable (Note 5) | \$ 204,546 | \$ 250,688 |

Principal and interest repayments are as follows:

| | Principal | Interest | Total |
|------------|------------|-----------|------------|
| 2024 | \$ 47,904 | \$ 6,426 | \$ 54,330 |
| 2025 | 49,734 | 4,596 | 54,330 |
| 2026 | 29,356 | 2,695 | 32,051 |
| 2027 | 7,716 | 2,056 | 9,772 |
| 2028 | 7,927 | 1,845 | 9,772 |
| Thereafter | 61,909 | 6,494 | 68,403 |
| | \$ 204,546 | \$ 24,112 | \$ 228,658 |

Debt is repayable to the Alberta Capital Finance Authority and bears interest at rates ranging from 2.718% to 3.97% per annum, matures in periods 2026 through 2035. The average annual interest rate is 3.344% (2022 - 3.344%).

Debt is issued on the credit and security of the Municipality at large.

The Municipality's total cash payments for interest were \$11,021 (2022 - \$12,668).

Interest on long-term debt amounted to nil (2022 - nil).

DEBT LIMITS AND DEBT SERVICING LIMIT

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the County of Two Hills No. 21 be disclosed as follows:

| | 2023 | 2022 |
|-----------------------------|---------------|---------------|
| Total debt limit | \$ 20,356,830 | \$ 19,646,910 |
| Total debt | - | - |
| Amount of debt limit unused | \$ 20,356,830 | \$ 19,646,910 |

| | 2023 | 2022 |
|---------------------------------------|--------------|--------------|
| Debt servicing limit | \$ 3,392,805 | \$ 3,274,485 |
| Debt servicing | - | - |
| Amount of debt servicing limit unused | \$ 3,392,805 | \$ 3,274,485 |

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.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

11. PROVISION FOR GRAVEL PIT RECLAMATION

| | 2023 | 2022 |
|--------------------------------------|------------|------------|
| Provision for gravel pit reclamation | \$ 262,872 | \$ 350,232 |

Pursuant to the Alberta Environmental Protection and Enhancement Act, the Municipality is required to fund the reclamation of certain land used for the extraction of aggregate material. Reclamation requirements have been defined in accordance with industry standards and includes re-vegetation of sites and backsloping required upon closure. The Municipality owns and operates aggregate extraction sites. The aggregate is used for road maintenance and construction projects within the Municipality.

The gravel reclamation for all liabilities to date has been accrued in the current year. The provision is estimated using prior reclamation costs per acre, extrapolating across the total area disturbed, and adjusting to present value. Estimates are reviewed at the end of each reporting period and actual results may vary.

12. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

| | 2023 | 2022 |
|----------------------------|---------------------|---------------------|
| Public Works gravel | \$ 2,100,984 | \$ 1,681,023 |
| Public Works coldmix | 5,446 | 24,299 |
| Public Works miscellaneous | 384,207 | 443,063 |
| Public Works fuel | 23,871 | 22,396 |
| Agricultural services | 35,471 | 37,509 |
| Fire inventory | 2,661 | 1,747 |
| Sewer systems-inventory | 1,760 | 1,371 |
| Water systems-inventory | 18,931 | 16,479 |
| | 2,573,331 | 2,227,887 |
| Gas utility | 90,592 | 97,377 |
| | \$ 2,663,923 | \$ 2,325,264 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated 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:

| | 2023 | 2022 |
|---|----------------------|----------------------|
| Unrestricted surplus | \$ 13,330,449 | \$ 10,440,667 |
| Internally restricted surplus | | |
| Reserve for future expenditures | 692,444 | 2,969,228 |
| Transportation capital replacement | 1,643,487 | 2,300,900 |
| General equipment replacement | 1,925,844 | 1,950,211 |
| Gas Utility | 785,403 | 903,185 |
| Roads | 1,398,481 | 1,398,481 |
| Gas Utility capital replacement | 272,321 | 272,321 |
| Ag Service Board capital replacement | 36,608 | 36,608 |
| Ag Service Board | 34,344 | 34,344 |
| Recreation | 12,662 | 12,662 |
| Water | 8,681 | 8,681 |
| Internally restricted surplus | 6,810,275 | 9,886,621 |
| Equity in tangible capital assets | | |
| Tangible capital assets (<i>Schedule 2</i>) | 130,460,992 | 128,326,388 |
| Accumulated amortization (<i>Schedule 2</i>) | (81,715,000) | (78,799,790) |
| Equity in tangible capital assets | 48,745,992 | 49,526,598 |
| | \$ 68,886,716 | \$ 69,853,886 |
| Unrestricted surplus consists of the following: | | |
| General Municipal | \$ 9,989,856 | \$ 7,481,331 |
| Gas Utility | 3,340,593 | 2,959,336 |
| | 13,330,449 | 10,440,667 |
| Internally restricted surplus consists of the following: | | |
| General Municipal | 5,752,551 | 8,711,115 |
| Gas Utility | 1,057,724 | 1,175,506 |
| | 6,810,275 | 9,886,621 |
| Equity in tangible capital assets consists of the following: | | |
| General Municipal | 42,280,643 | 42,877,386 |
| Gas Utility | 6,465,349 | 6,649,212 |
| | 48,745,992 | 49,526,598 |
| | \$ 68,886,716 | \$ 69,853,886 |

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

14. COMMITMENTS

The Municipality has long term lease and maintenance agreements with respect to office equipment. Future minimum lease payments as at December 31, 2023, are as follows, plus additional variable charges based on usage:

| | | |
|------|----|---------------|
| 2024 | \$ | 17,106 |
| 2025 | | 17,106 |
| 2026 | | 15,349 |
| 2027 | | 13,631 |
| 2028 | | 4,861 |
| | | <u>68,053</u> |
| | \$ | <u>68,053</u> |

15. SALARY, CONTRACTS AND BENEFITS DISCLOSURE

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

| | | Salary & Contracted amounts | Benefits & Allowances | 2023 | 2022 |
|------------------------|-------------|-----------------------------------|--------------------------|----------|---------|
| Reeve | Phillips | \$ 7,540 | \$ 1,349 | \$ 8,889 | \$ - |
| Reeve | Gulayec | 55,680 | 5,254 | 60,934 | 72,111 |
| Deputy Reeve | Phillips | 36,540 | 6,628 | 43,168 | 48,306 |
| Deputy Reeve | Gulayec | 11,600 | 1,066 | 12,666 | - |
| Councilors | Yakemchuk | 47,560 | 10,912 | 58,472 | 57,855 |
| | Saskiw | 38,860 | 5,122 | 43,982 | 46,849 |
| | Dutrisac | 33,640 | 8,874 | 42,514 | 44,934 |
| CAO | | 180,560 | 13,393 | 193,953 | 184,659 |
| Designated Officers | 2 positions | 233,270 | 22,288 | 255,558 | 256,251 |

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. If an automobile is provided, no amount is included in the benefits and allowances figure.
4. Benefits and allowances figures also include the employer's share of the costs of additional taxable benefits including special leave with pay, financial and retirement planning services, concessionary loans, travel allowances, car allowances and club memberships.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2023

16. LOCAL AUTHORITIES PENSION PLAN

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

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

The Municipality is required to make current service contributions to the LAPP of 8.45% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan and 12.23% on pensionable earnings above this amount.

Total current service contributions by the municipality to the LAPP in 2023 were \$311,630 (2022 - \$304,102). Total current service contributions by the employees of the Municipality to the Local Authorities Pension Plan in 2023 were \$277,783 (2022 - \$270,030).

At December 31, 2022 the LAPP disclosed an actuarial surplus of \$12.7 billion.

17. SEGMENTED DISCLOSURE

The County of Two Hills No. 21 provides a range of services to its ratepayers. For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

Refer to the Schedule of Segmented Disclosures (Schedule 8).

General government includes council and other legislative, and general administration. Protective services includes fire. Transportation includes roads, streets, walks and lighting. Planning and development includes land use planning, zoning and subdivision land and development and family and community support services. Recreation and culture includes parks and recreation, libraries, museums and halls. Environmental use and protection includes water supply and distribution, wastewater treatment and disposal, and waste management.

18. FINANCIAL INSTRUMENTS

The Municipality initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The Municipality's financial instruments consist of all financial assets and liabilities. It is management's opinion that the Municipality is not exposed to significant interest or currency risks arising from these financial instruments.

The Municipality is subject to credit risk with respect to taxes and grants in place of taxes receivables and trade and other receivables. Credit risk arises from the possibility that taxpayers and entities to which the Municipality provides services may experience financial difficulty and be unable to fulfil their obligations. An allowance for doubtful accounts is established, if required, based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The large number and diversity of taxpayers and customers minimizes the concentration of credit risk. The Municipality's provision for allowances is as follows:

(continues)

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18. FINANCIAL INSTRUMENTS *(continued)*

- Taxes and grants in place of taxes receivable is \$4,005,444 (2022 - \$3,630,498)
- Trade and other receivables - municipal is \$3,701 (2022 - \$3,240)
- Trade and other receivables - gas utility is \$59,099 (2022 - \$39,354).

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

19. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.