

**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Financial Statements**  
**Year Ended December 31, 2024**

**COUNTY OF TWO HILLS NO. 21**  
**Index to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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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, 2024, 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 3, 2025

  
\_\_\_\_\_  
Mr. Murray Phillips, Reeve

\_\_\_\_\_  
Two Hills, Alberta  
April 3, 2025

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## INDEPENDENT AUDITOR'S REPORT

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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, 2024, 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, 2024, 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 3, 2025

*Synergy*  
Chartered Professional Accountants

**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Statement of Financial Position**  
**December 31, 2024**

	2024	2023
<b>FINANCIAL ASSETS</b>		
Cash and temporary investments <i>(Note 2)</i>	\$ 19,040,532	\$ 19,547,170
Taxes and grants in place of taxes receivable <i>(Note 3)</i>	533,646	458,385
Receivables from other governments	51,753	82,617
Trade and other receivables	1,291,866	959,682
Long-term investments <i>(Note 4)</i>	42,841	42,841
Debt charges recoverable <i>(Note 5)</i>	156,642	204,546
	<b>21,117,280</b>	<b>21,295,241</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,149,050	1,050,726
Employee benefit obligations <i>(Note 6)</i>	261,039	247,986
Deferred revenue <i>(Note 7)</i>	1,552,313	1,469,360
Deposit liabilities <i>(Note 8)</i>	215,835	264,878
Due to Two Hills Regional Waste Management Commission <i>(Note 9)</i>	934,222	863,200
Provision for gravel pit reclamation <i>(Note 10)</i>	228,620	262,872
Long term debt <i>(Note 11)</i>	156,642	204,546
Asset retirement obligation <i>(Note 12)</i>	252,913	-
	<b>4,750,634</b>	<b>4,363,568</b>
<b>NET FINANCIAL ASSETS</b>	<b>16,366,646</b>	<b>16,931,673</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(Schedule 2)</i>	47,709,151	48,745,992
Inventory for consumption <i>(Note 13)</i>	2,735,237	2,663,923
Prepaid expenses	571,914	545,128
	<b>51,016,302</b>	<b>51,955,043</b>
<b>ACCUMULATED SURPLUS</b> <i>(Note 14), (Schedule 1)</i>	<b>\$ 67,382,948</b>	<b>\$ 68,886,716</b>

COMMITMENTS AND CONTINGENCIES *(Note 15)*

**COUNTY OF TWO HILLS NO. 21**

**Consolidated Statement of Operations and Accumulated Surplus**

**Year Ended December 31, 2024**

	Budget <i>(Unaudited)</i>	2024	2023
<b>REVENUE</b>			
Net municipal taxes <i>(Schedule 3)</i>	\$ 7,733,142	\$ <b>7,797,189</b>	\$ 7,419,803
Sales of goods and services	3,963,296	<b>3,330,801</b>	3,862,642
Government transfers for operating <i>(Schedule 4)</i>	878,565	<b>757,810</b>	755,136
Investment income	615,150	<b>758,873</b>	848,874
Penalties and costs of taxes	353,800	<b>503,303</b>	431,009
Licenses and permits	63,590	<b>127,098</b>	71,567
Other	279,649	<b>558,897</b>	182,189
	13,887,192	<b>13,833,971</b>	13,571,220
<b>EXPENSES</b>			
Legislative	387,985	<b>363,355</b>	321,855
Administration	2,234,413	<b>2,295,038</b>	1,961,604
Protective services	930,928	<b>757,217</b>	645,496
Roads, streets, walks, lighting	9,968,848	<b>8,961,607</b>	8,103,412
Water supply and distribution	730,038	<b>805,149</b>	636,790
Waste management	440,632	<b>358,733</b>	332,749
Family and community support	131,189	<b>131,189</b>	129,836
Agriculture services	780,612	<b>709,987</b>	666,421
Subdivision land development	59,110	<b>63,930</b>	53,788
Parks and recreation	355,255	<b>290,009</b>	241,941
Library	59,250	<b>59,250</b>	43,832
Gas Utility	3,172,787	<b>2,527,053</b>	2,688,033
	19,251,047	<b>17,322,517</b>	15,825,757
<b>SHORTFALL OF REVENUES OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL</b>	(5,363,855)	<b>(3,488,546)</b>	(2,254,537)
Government transfers for capital <i>(Schedule 5)</i>	2,069,583	<b>1,984,778</b>	1,287,367
<b>SHORTFALL OF REVENUES OVER EXPENSES</b>	(3,294,272)	<b>(1,503,768)</b>	(967,170)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	68,886,716	<b>68,886,716</b>	69,853,886
<b>ACCUMULATED SURPLUS - END OF YEAR</b>	\$ 65,592,444	<b>\$ 67,382,948</b>	\$ 68,886,716

**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2024**

	Budget <i>(unaudited)</i>	2024	2023
<b>SHORTFALL OF REVENUES OVER EXPENSES</b>	\$ (3,294,272)	\$ (1,503,768)	\$ (967,170)
Acquisition of tangible capital assets	(2,872,460)	<b>(2,652,537)</b>	(2,374,964)
Proceeds on disposal of tangible capital assets	623,600	<b>587,027</b>	115,810
(Gain) / loss on disposal of tangible capital assets	-	<b>71,329</b>	(1,816)
Amortization of tangible capital assets	3,173,705	<b>2,961,340</b>	2,860,592
Amortization added to tangible capital assets	-	<b>69,682</b>	180,984
	924,845	<b>1,036,841</b>	780,606
Use (acquisition) of prepaid expenses	-	<b>(26,786)</b>	35,127
Use (acquisition) of inventory for consumption	-	<b>(71,314)</b>	(338,659)
	-	<b>(98,100)</b>	(303,532)
	924,845	<b>938,741</b>	477,074
<b>DECREASE IN NET FINANCIAL ASSETS</b>	(2,369,427)	<b>(565,027)</b>	(490,096)
<b>NET FINANCIAL ASSETS - BEGINNING OF YEAR</b>	16,931,673	<b>16,931,673</b>	17,421,769
<b>NET FINANCIAL ASSETS - END OF YEAR</b>	\$ 14,562,246	\$ <b>16,366,646</b>	\$ 16,931,673

See notes to financial statements



**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2024**

	2024	2023
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING ACTIVITIES</b>		
Annual deficit for the year	\$ (1,503,768)	\$ (967,170)
Non-cash items included in excess (shortfall) of revenues over expenses:		
Amortization of tangible capital assets	2,961,340	2,860,592
Amortization added to tangible capital assets	69,682	180,984
(Gain) / loss on sale of tangible capital assets	71,329	(1,816)
	<b>1,598,583</b>	<b>2,072,590</b>
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivable	(75,261)	(54,250)
Decrease (increase) in receivables from other governments	30,864	(36,770)
Decrease (increase) in trade and other receivables	(332,184)	1,008,334
Increase (decrease) in accounts payable and accrued liabilities	98,324	(740,720)
Increase (decrease) in employee benefit obligations	13,053	32,989
Increase (decrease) in gravel reclamation liability	(34,252)	(87,360)
Increase (decrease) in asset retirement obligations	252,913	-
Increase (decrease) in deposit liabilities	(49,043)	14,187
Increase (decrease) in deferred revenue	82,953	(25,094)
Decrease (increase) in inventory for consumption	(71,314)	(338,659)
Decrease (increase) in prepaid expenses	(26,786)	35,127
	<b>(110,733)</b>	<b>(192,216)</b>
Cash provided by operating transactions	<b>1,487,850</b>	<b>1,880,374</b>
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(2,652,537)	(2,374,964)
Proceeds on disposal of tangible capital assets	587,027	115,810
Cash applied to capital transactions	<b>(2,065,510)</b>	<b>(2,259,154)</b>
<b>FINANCING</b>		
Increase in due to Regional Waste Management Commission	71,022	19,181
Repayment of long term debt	(47,904)	(46,142)
Debt charges recovered	47,904	46,142
Cash provided by financing transactions	<b>71,022</b>	<b>19,181</b>
<b>INVESTING</b>		
Decrease (increase) in restricted cash or cash equivalents	(82,813)	28,056
<b>CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>	<b>(589,451)</b>	<b>(331,543)</b>
Cash - beginning of year	<b>17,936,085</b>	<b>18,267,628</b>
<b>CASH - END OF YEAR</b>	<b>\$ 17,346,634</b>	<b>\$ 17,936,085</b>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ 744,650	\$ 809,292
Interest paid	\$ 9,542	\$ 11,021
<b>CASH CONSISTS OF:</b>		
Cash and temporary investments (Note 2)	\$ 19,040,532	\$ 19,547,170
Less: restricted cash or cash equivalents (Note 2)	(1,693,898)	(1,611,085)
	<b>\$ 17,346,634</b>	<b>\$ 17,936,085</b>

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, 2024

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2024	2023
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 13,330,449	\$ 6,810,275	\$ 48,745,992	<b>\$ 68,886,716</b>	\$ 69,853,886
Shortfall of revenues over expenses	(1,503,768)	-	-	<b>(1,503,768)</b>	(967,170)
Unrestricted funds designated for future use	(40,291)	40,291	-	-	-
Restricted funds used for operations	140,500	(140,500)	-	-	-
Current year funds used for tangible capital assets	(2,609,674)	-	2,609,674	-	-
Disposal of tangible capital assets	658,356	-	(658,356)	-	-
Annual amortization expense	2,999,534	-	(2,999,534)	-	-
Asset retirement obligation accretion expense	11,670	-	(11,670)	-	-
Asset retirement obligation related to tangible capital assets issued	229,868	-	(229,868)	-	-
<b>CHANGE IN ACCUMULATED SURPLUS</b>	<b>(113,805)</b>	<b>(100,209)</b>	<b>(1,289,754)</b>	<b>(1,503,768)</b>	<b>(967,170)</b>
<b>BALANCE, END OF YEAR (Note 14)</b>	<b>\$ 13,216,644</b>	<b>\$ 6,710,066</b>	<b>\$ 47,456,238</b>	<b>\$ 67,382,948</b>	<b>\$ 68,886,716</b>

See notes to financial statements

**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2024**

*(Schedule 2)*

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2024	2023
<b>COST</b>								
BALANCE, BEGINNING OF YEAR	\$ 2,687,938	\$ 321,290	\$ 5,452,076	\$ 96,076,571	\$ 20,429,113	\$ 5,494,004	<b>\$ 130,460,992</b>	\$ 128,326,388
Acquisition of tangible capital assets	-	-	12,461	489,625	1,831,316	276,272	<b>2,609,674</b>	2,362,503
Construction-in-progress	-	-	-	-	-	-	-	12,461
Disposal of tangible capital assets	-	-	-	(11,335)	(1,589,400)	-	<b>(1,600,735)</b>	(240,360)
Asset retirement obligation	-	-	42,863	-	-	-	<b>42,863</b>	-
<b>BALANCE, END OF YEAR</b>	<b>2,687,938</b>	<b>321,290</b>	<b>5,507,400</b>	<b>96,554,861</b>	<b>20,671,029</b>	<b>5,770,276</b>	<b>131,512,794</b>	<b>130,460,992</b>
<b>ACCUMULATED AMORTIZATION</b>								
BALANCE, BEGINNING OF YEAR	-	155,403	2,699,956	64,523,667	10,640,600	3,695,374	<b>81,715,000</b>	78,799,790
Annual amortization	-	14,121	93,242	1,787,753	818,052	285,911	<b>2,999,534</b>	3,041,576
Accumulated amortization on disposals	-	-	-	(151)	(942,228)	-	<b>(942,379)</b>	(126,366)
Asset retirement obligation	-	-	31,488	-	-	-	<b>31,488</b>	-
<b>BALANCE, END OF YEAR</b>	<b>-</b>	<b>169,524</b>	<b>2,824,686</b>	<b>66,311,269</b>	<b>10,516,424</b>	<b>3,981,285</b>	<b>83,803,643</b>	<b>81,715,000</b>
<b>NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>								
<b>2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 2,687,938</b>	<b>\$ 151,766</b>	<b>\$ 2,682,714</b>	<b>\$ 30,243,592</b>	<b>\$ 10,154,605</b>	<b>\$ 1,788,991</b>	<b>\$ 47,709,151</b>	<b>\$ 48,745,992</b>
<b>2023 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS</b>	<b>\$ 2,687,938</b>	<b>\$ 165,887</b>	<b>\$ 2,752,120</b>	<b>\$ 31,552,904</b>	<b>\$ 9,788,513</b>	<b>\$ 1,798,631</b>	<b>\$ 48,745,992</b>	

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2024

	Budget (Unaudited)	2024	2023
<b>TAXATION</b>			
Residential land and improvements	\$ 3,466,273	\$ 3,476,311	\$ 3,107,693
Farmland	2,056,399	2,072,473	1,986,565
Non-residential land and improvements	627,677	625,084	613,761
Machinery and equipment	586,312	586,352	572,958
Linear property	3,414,858	3,453,618	3,350,804
	10,151,519	10,213,838	9,631,781
<b>REQUISITIONS</b>			
Alberta School Foundation Fund	1,668,689	1,667,352	1,678,364
Eagle Hill Foundation	738,362	738,018	522,228
Designated Industrial Property	11,326	11,279	11,386
	2,418,377	2,416,649	2,211,978
<b>NET MUNICIPAL TAXES</b>	\$ 7,733,142	\$ 7,797,189	\$ 7,419,803

**COUNTY OF TWO HILLS NO. 21**

**Consolidated Schedule of Government Transfers for Operating  
Year Ended December 31, 2024**

**(Schedule 4)**

	Budget <i>(Unaudited)</i>	2024	2023
<b>TRANSFERS FOR OPERATING</b>			
Provincial	\$ 721,354	\$ 732,221	\$ 678,580
Federal grants-operating	157,211	25,589	76,556
	\$ 878,565	\$ 757,810	\$ 755,136

**Consolidated Schedule of Government Transfers for Capital  
Year Ended December 31, 2024**

**(Schedule 5)**

	Budget <i>(Unaudited)</i>	2024	2023
<b>TRANSFERS FOR CAPITAL</b>			
Provincial	\$ 1,429,933	\$ 1,415,700	\$ 889,638
Federal	629,650	557,287	354,248
Local government	10,000	11,791	43,481
	\$ 2,069,583	\$ 1,984,778	\$ 1,287,367

**Consolidated Schedule of Expenses by Object  
Year Ended December 31, 2024**

**(Schedule 6)**

	Budget <i>(Unaudited)</i>	2024	2023
<b>CONSOLIDATED EXPENSES BY OBJECT</b>			
Salaries, wages and benefits	\$ 6,310,214	\$ 5,692,547	\$ 5,205,187
Contracted and general services	2,432,881	2,286,743	2,256,174
Purchases from other governments	1,499,241	928,206	1,253,881
Materials, goods and utilities	5,154,730	4,308,939	3,550,056
Provision for allowances	384,000	582,780	438,831
Transfers to other governments	100,000	100,000	100,000
Transfers to local boards and agencies	187,250	171,041	151,831
Bank charges and short-term interest	9,026	9,542	11,021
Amortization of tangible capital assets	3,173,705	2,929,852	2,860,592
(Gain)/ loss on sale of tangible capital assets	-	71,329	(1,816)
Accretion of asset retirement obligation	-	241,538	-
	\$ 19,251,047	\$ 17,322,517	\$ 15,825,757

**COUNTY OF TWO HILLS NO. 21**

**Statement of Operating Revenue And Expenses For The Gas Utility**

**(Schedule 7)**

**Year Ended December 31, 2024**

	Budget <i>(Unaudited)</i>	2024	2023
<b>REVENUE</b>			
Gas sales	\$ 2,236,511	\$ 1,552,380	\$ 1,843,170
<b>PURCHASES</b>			
Gas purchases and billing charges	1,499,241	928,206	1,253,881
<b>GROSS PROFIT</b>			
	737,270	624,174	589,289
<b>OTHER OPERATING REVENUES</b>			
Other sales and service	194,200	171,438	305,607
Penalties and interest income	22,650	32,770	44,282
Profit on capital construction	-	193,038	60,000
RMO station operating grant	-	-	7,000
Service charges	513,764	505,808	507,587
	730,614	903,054	924,476
<b>EXPENSES</b>			
Accretion of asset retirement obligation	-	12,763	-
Amortization	251,920	256,918	229,609
Bad debt expense	5,000	6,890	19,987
Council remuneration	22,745	15,895	15,787
Insurance, permits, damage claims	66,425	63,447	55,703
Materials and supplies	60,000	156,059	106,509
Memberships, dues, fees	27,700	26,380	28,587
Office supplies	52,800	44,296	40,784
Professional fees	14,785	20,684	13,033
Repair and maintenance	190,750	31,642	40,500
Travel and training	12,500	12,964	10,332
Utilities	52,050	50,175	51,459
Vehicle and equipment costs	105,000	91,112	86,115
Wages and benefits	811,871	809,625	735,748
	1,673,546	1,598,850	1,434,153
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>			
	\$ (205,662)	\$ (71,622)	\$ 79,612

See notes to financial statements

**COUNTY OF TWO HILLS NO. 21**  
**Consolidated Schedule of Segmented Disclosures**  
**Year Ended December 31, 2024**

*(Schedule 8)*

	General Government	Protective Services	Transportation Services	Agriculture & Development	Recreation & Culture	Environmental Services	Gas utility	Family & Community Support Services	2024
<b>REVENUE</b>									
Net municipal taxes	\$ 7,797,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,797,189
User fees and sales of goods	14,458	124,094	405,559	14,079	54,299	482,655	2,235,657	-	3,330,801
Government transfers	183,822	101,551	1,362,844	223,260	149,580	607,089	13,891	100,551	2,742,588
Investment income	746,066	-	-	-	-	-	12,807	-	758,873
Other revenues	619,826	26,595	-	101,169	-	248,630	193,078	-	1,189,298
	9,361,361	252,240	1,768,403	338,508	203,879	1,338,374	2,455,433	100,551	15,818,749
<b>EXPENSES</b>									
Salaries and wages	1,133,364	71,656	3,039,603	282,153	92,984	248,523	824,264	-	5,692,547
Contract and general services	462,251	306,338	718,689	144,903	65,173	379,854	209,535	-	2,286,743
Purchases from/transfers to other governments	100,000	-	-	-	-	-	928,206	-	1,028,206
Goods and supplies	289,198	283,232	2,695,722	318,738	-	303,502	287,358	131,189	4,308,939
Provision for allowances	575,890	-	-	-	-	-	6,890	-	582,780
Transfers to local boards	-	-	-	8,000	163,041	-	-	-	171,041
Other expenses	82,933	35,991	147,628	10,486	7,083	24,404	13,884	-	322,409
	2,643,636	697,217	6,601,642	764,280	328,281	956,283	2,270,137	131,189	14,392,665
<b>NET REVENUE (LOSS) BEFORE AMORTIZATION</b>	6,717,725	(444,977)	(4,833,239)	(425,772)	(124,402)	382,091	185,296	(30,638)	1,426,084
Amortization expense	14,869	59,887	2,359,965	9,638	20,978	207,597	256,918	-	2,929,852
	14,869	59,887	2,359,965	9,638	20,978	207,597	256,918	-	2,929,852
<b>EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES</b>	\$ 6,702,856	\$ (504,864)	\$ (7,193,204)	\$ (435,410)	\$ (145,380)	\$ 174,494	\$ (71,622)	\$ (30,638)	\$ (1,503,768)

See notes to financial statements

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

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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 exclude 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, 2024**

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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 standards 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.
- Asset retirement obligations are based on estimates as noted below. As uncertainty inherently exists in the accurateness of this information, actual results could differ from the accumulated costs.

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, 2024**

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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, 2024**

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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, 2024**

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1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(k) Asset Retirement Obligations

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset at the financial statement date when there is a legal obligation for the Municipality to incur retirement costs, the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at year-end. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation is expected to occur over extended future periods.

When a liability for an asset retirement obligation is initially recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related tangible capital asset. The asset retirement cost is amortized over the useful life of the related asset. Asset retirement obligations which are incurred incrementally with use of the asset are recognized in the period incurred with a corresponding asset retirement cost expensed in the period.

At each financial reporting date, the Municipality reviews the carrying amount of the liability. The Municipality recognizes period-to-period changes to the liability due to the passage of time as accretion expense. Changes to the liability arising from revisions to either the timing, the amount of the original estimate of undiscounted cash flows of the discount rate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The Municipality continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

(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, 2024**

2. CASH AND TEMPORARY INVESTMENTS

	2024	2023
Cash	\$ 2,135,672	\$ 1,242,674
Temporary investments	16,904,860	18,304,496
	<b>\$ 19,040,532</b>	<b>\$ 19,547,170</b>

The Municipality has an authorized revolving loan with a limit of of \$1,985,000, bearing interest at prime plus 3% (2023 - prime plus 3%). The balance outstanding at December 31, 2024 was Nil (2023 - Nil).

Temporary investments are Guaranteed Investment Certificates with maturities less than twelve months from year end date. Rates vary from 3.6% to 3.9% (2023 - 2.5% to 5.65%).

Council has designated funds of \$6,710,066 (2023 - \$6,810,275) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$1,693,898 (2023 - \$1,611,085) comprised of \$215,835 (2023 - \$264,878) of deposit liabilities and \$1,478,063 (2023 - \$1,346,207) of deferred revenue received from various sources and held exclusively for approved projects.

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2024	2023
Current	\$ 404,589	\$ 302,496
Arrears	4,673,347	4,161,333
	<b>5,077,936</b>	<b>4,463,829</b>
Less: allowance for uncollectible accounts	<b>(4,544,290)</b>	<b>(4,005,444)</b>
	<b>\$ 533,646</b>	<b>\$ 458,385</b>

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:

	2024	2023
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
	<b>\$ 42,841</b>	<b>\$ 42,841</b>

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

5. DEBT CHARGES RECOVERABLE

	2024	2023
Current debt charges recoverable	\$ 49,734	\$ 47,904
Non-current debt charges recoverable	106,908	156,642
	<b>\$ 156,642</b>	<b>\$ 204,546</b>

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2029	8,144	1,628	9,772
Thereafter	53,765	6,494	60,259
	<b>\$ 156,642</b>	<b>\$ 19,314</b>	<b>\$ 175,956</b>

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 11) - Long-Term Debt.

6. EMPLOYEE BENEFIT OBLIGATIONS

	2024	2023
Vacation	\$ 261,039	\$ 247,986

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, 2024**

7. DEFERRED REVENUE

	Opening balance	Received	Recognized as revenue	2024	2023
<b>Capital Grants</b>					
Canada Community Building Fund	\$ 997,821	\$ 283,016	\$ (538,763)	\$ 742,074	\$ 997,821
Hairy Hill Transitional Funding	113,071	5,958	(9,377)	109,652	113,071
Strategic Transportation Infrastructure Program - Local Road Bridge	108,727	5,802	-	114,529	108,727
Local Government Fiscal Framework - Capital	-	2,024,960	(1,755,388)	269,572	-
	1,219,619	2,319,736	(2,303,528)	1,235,827	1,219,619
<b>Operating Grants</b>					
Bridge Upgrade Grant	47,790	2,550	-	50,340	47,790
Watershed Resiliency Grant	31,188	1,205	(19,289)	13,104	31,188
Local Government Fiscal Framework - Operating Watershed Resiliency and Restoration Program Grant	40,902	400,145	(441,047)	-	40,902
Fire Gear Grants	16,162	53,750	(18,523)	51,389	16,162
Northern & Regional Economic Program	26,000	20,595	(26,000)	20,595	26,000
	-	126,869	(25,789)	101,080	-
	162,042	605,114	(530,648)	236,508	162,042
<b>Other Deferred Revenue</b>					
Roadway Oiling Fee	72,750	-	-	72,750	72,750
Ukraine Silent Auction Fund	5,449	279	-	5,728	5,449
Subdivision Access	1,500	-	-	1,500	1,500
Gas - Infill Deposits	8,000	-	(8,000)	-	8,000
	87,699	279	(8,000)	79,978	87,699
	\$ 1,469,360	\$ 2,925,129	\$ (2,842,176)	\$ 1,552,313	\$ 1,469,360

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

8. DEPOSIT LIABILITIES

	<b>2024</b>	<b>2023</b>
Public reserve	\$ 196,167	\$ 209,730
Tax sale surplus	10,527	6,176
Road and gravel deposits	6,119	46,102
Water service deposit	3,022	2,870
	<b>\$ 215,835</b>	<b>\$ 264,878</b>

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

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.

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

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

9. DUE TO TWO HILLS REGIONAL WASTE MANAGEMENT COMMISSION

	<b>2024</b>	<b>2023</b>
Due to Two Hills Regional Waste Management Commission	\$ 934,222	\$ 863,200

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.

10. PROVISION FOR GRAVEL PIT RECLAMATION

	<b>2024</b>	<b>2023</b>
Provision for gravel pit reclamation	\$ 228,620	\$ 262,872

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.

Gravel reclamation liabilities are based on pits which are ready for reclamation and do not take into account undisturbed sites. Liabilities are based on estimates and assumptions by management using information available at the end of the reporting period and actual results may vary.



**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

11. LONG TERM DEBT

	2024	2023
Debentures recoverable (Note 5)	\$ 156,642	\$ 204,546

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2029	8,144	1,628	9,772
Thereafter	53,765	6,494	60,259
	\$ 156,642	\$ 19,314	\$ 175,956

Debenture 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% (2023 - 3.344%).

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

The Municipality's total cash payments for interest were \$9,542 (2023 - \$11,021).

Interest on long-term debt amounted to nil (2023 - 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:

	2024	2023
Total debt limit	\$ 20,750,957	\$ 20,356,830
Total debt	-	-
Amount of debt limit unused	\$ 20,750,957	\$ 20,356,830
Debt servicing limit	\$ 3,458,493	\$ 3,392,805
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 3,458,493	\$ 3,392,805

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, 2024**

12. ASSET RETIREMENT OBLIGATIONS

The Municipality has determined that there is a significant risk that buildings owned by the Municipality have asbestos within the building materials. There is a legal obligation arising from legislation to perform abatement activities upon renovation or demotion of buildings with asbestos. Abatement activities include handling and disposing of the asbestos in a prescribed manner when it is disturbed.

Undiscounted future cash flows for these abatement costs total \$341,159. The estimated total liability of \$252,913 (2023 - NIL) is based on the sum of discounted abatement activities at the end of the useful life of each building, using a discount rate of 4.82% and inflation of 2%.

The Municipality has not designated assets for settling the abatement activities.

	<b>2024</b>
<u>Total asset retirement obligation</u>	
Balance, beginning of year	\$ -
Liabilities incurred	<b>241,243</b>
Liabilities settled	-
Change in estimated cash flows	-
Accretion expense	<b>11,670</b>
Estimated total liability	<b>\$ 252,913</b>

13. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

	<b>2024</b>	<b>2023</b>
Public Works gravel	\$ 2,147,000	\$ 2,100,984
Public Works coldmix	<b>27,061</b>	5,446
Public Works miscellaneous	<b>393,295</b>	384,207
Public Works fuel	<b>21,478</b>	23,871
Agricultural services	<b>20,118</b>	35,471
Fire inventory	<b>4,651</b>	2,661
Sewer systems-inventory	<b>2,142</b>	1,760
Water systems-inventory	<b>20,301</b>	18,931
Gas utility	<b>99,191</b>	90,592
	<b>\$ 2,735,237</b>	<b>\$ 2,663,923</b>

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

14. ACCUMULATED SURPLUS

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

	2024	2023
<b>Unrestricted surplus</b>	<b>\$ 13,216,644</b>	<b>\$ 13,330,449</b>
<b>Internally restricted surplus</b>		
Reserve for future expenditures	692,444	692,444
Transportation capital replacement	1,643,487	1,643,487
General equipment replacement	1,925,844	1,925,844
Gas Utility	644,903	785,403
Roads	1,398,481	1,398,481
Gas Utility capital replacement	312,612	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	6,710,066	6,810,275
<b>Equity in tangible capital assets</b>		
Tangible capital assets ( <i>Schedule 2</i> )	131,512,794	130,460,992
Accumulated amortization ( <i>Schedule 2</i> )	(83,803,643)	(81,715,000)
Asset retirement obligation ( <i>Note 12</i> )	(252,913)	-
Equity in tangible capital assets	47,456,238	48,745,992
	<b>\$ 67,382,948</b>	<b>\$ 68,886,716</b>
<b>Unrestricted surplus consists of the following:</b>		
General Municipal	\$ 9,799,727	\$ 9,989,856
Gas Utility	3,416,917	3,340,593
	<b>13,216,644</b>	<b>13,330,449</b>
<b>Internally restricted surplus consists of the following:</b>		
General Municipal	5,752,551	5,752,551
Gas Utility	957,515	1,057,724
	<b>6,710,066</b>	<b>6,810,275</b>
<b>Equity in tangible capital assets consists of the following:</b>		
General Municipal	40,895,381	42,280,643
Gas Utility	6,560,857	6,465,349
	<b>47,456,238</b>	<b>48,745,992</b>
	<b>\$ 67,382,948</b>	<b>\$ 68,886,716</b>

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

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15. COMMITMENTS AND CONTINGENCIES

The Municipality has committed to purchasing equipment for a total cost of \$534,000, plus GST.

The Municipality has committed to a \$250,000 contribution to the Town of Two Hills.

The Municipality is currently in a legal dispute with a former employee. The amount of potential settlement is not measurable as at the date of the financial statement. Therefore, no liability has been recorded.

The Municipality has long term lease and maintenance agreements with respect to office equipment and vehicles. Future minimum lease payments as at December 31, 2024, are as follows, plus additional variable charges based on usage:

2025	\$	99,026
2026		97,269
2027		88,437
2028		40,691
2029		7,805
		<hr/>
	\$	<b>333,228</b>

16. RELATED PARTY TRANSACTIONS

The following is a summary of the Municipality's related party transactions:

	<b>2024</b>
Phillips Family Farm Inc. (Reeve's parents) Gravel royalties paid	<b>\$ 38,146</b>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. 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.

	<b>2024</b>	2023
Current service contributions by Employer	<b>\$ 326,100</b>	\$ 311,630
Current service contributions by Employee	<b>291,129</b>	277,783
	<hr/> <b>\$ 617,229</b>	<hr/> \$ 589,413

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 11.65% on pensionable earnings above this amount.

At December 31, 2023 the LAPP disclosed an actuarial surplus of \$15.057 billion.

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

**18. 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	2024	2023
Reeve	Phillips	\$ 57,130	\$ 9,429	\$ 66,559	\$ 8,889
Reeve	Gulayec	-	-	-	60,934
Deputy Reeve	Gulayec	58,870	6,431	65,301	12,666
Deputy Reeve	Phillips	-	-	-	43,168
Councilors	Yakemchuk	46,110	10,970	57,080	58,472
	Saskiw	40,020	5,303	45,323	43,982
	Dutrisac	45,820	10,822	56,642	42,514
CAO		189,403	14,800	204,203	193,953
Designated Officers	2 positions	235,778	24,271	260,049	255,558

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.

**19. 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.

**COUNTY OF TWO HILLS NO. 21**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2024**

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20. 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:

- Taxes and grants in place of taxes receivable is \$4,544,290 (2023 - \$4,005,444)
- Trade and other receivables - municipal is \$7,006 (2023 - \$3,701)
- Trade and other receivables - gas utility is \$2,970 (2023 - \$59,099).

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

21. APPROVAL OF FINANCIAL STATEMENTS

Council and Management have approved these financial statements.