

COUNTY OF TWO HILLS NO. 21
Consolidated Financial Statements
Year Ended December 31, 2025

COUNTY OF TWO HILLS NO. 21
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Year Ended December 31, 2025

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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, 2025, 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 14, 2026



Cheryl McRae, Director of Corporate Services

Two Hills, Alberta
April 14, 2026

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, 2025, 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, 2025, 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.

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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 14, 2026

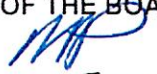
Synergy
Chartered Professional Accountants

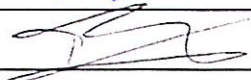
COUNTY OF TWO HILLS NO. 21
 Consolidated Statement of Financial Position
 December 31, 2025

	2025	2024
ASSETS		
Cash and temporary investments (Note 2)	\$ 17,880,361	\$ 19,040,532
Taxes and grants in place of taxes receivable (Note 3)	529,957	533,646
Receivables from other governments	56,858	51,753
Trade and other receivables	1,165,255	1,291,866
Long-term investments (Note 4)	42,841	42,841
Debt charges recoverable (Note 5)	106,908	156,642
	19,782,180	21,117,280
LIABILITIES		
Accounts payable and accrued liabilities	1,242,055	1,149,050
Employee benefit obligations (Note 6)	246,157	261,039
Deferred revenue (Note 7)	1,575,712	1,552,313
Deposit liabilities (Note 8)	225,204	215,835
Due to Regional Waste Management Commission (Note 9)	952,673	934,222
Provision for gravel pit reclamation (Note 10)	205,334	228,620
Long term debt (Note 11)	106,908	156,642
Asset retirement obligation (Note 12)	258,042	252,913
	4,812,085	4,750,634
NET FINANCIAL ASSETS	14,970,095	16,366,646
NON-FINANCIAL ASSETS		
Tangible capital assets (Schedule 2)	46,192,744	47,709,151
Inventory for consumption (Note 13)	3,061,424	2,735,237
Prepaid expenses	654,369	571,914
	49,908,537	51,016,302
ACCUMULATED SURPLUS (Note 14), (Schedule 1)	\$ 64,878,632	\$ 67,382,948

COMMITMENTS AND CONTINGENCIES (Note 15)

ON BEHALF OF THE BOARD


 _____ Reeve


 _____ Councillor

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Operations and Accumulated Surplus

Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
REVENUE			
Net municipal taxes (Schedule 3)	\$ 7,959,592	\$ 7,974,093	\$ 7,797,189
Sales of goods and services	3,348,358	3,692,235	3,330,801
Government transfers for operating (Schedule 4)	691,327	796,841	757,810
Investment income	595,150	478,695	758,873
Penalties and costs of taxes	403,800	405,651	503,303
Licenses and permits	79,220	68,770	127,098
Other	321,329	476,564	558,897
	13,398,776	13,892,849	13,833,971
EXPENSES			
Legislative	417,940	348,567	363,355
Administration	2,671,512	2,475,871	2,295,038
Protective services	1,049,141	934,052	757,217
Roads, streets, walks, lighting	10,069,047	8,793,963	8,961,607
Water supply and distribution	901,370	866,467	805,149
Waste management	422,605	353,820	358,733
Family and community support	141,189	141,189	131,189
Agriculture services	797,882	763,542	709,987
Subdivision land development	67,250	71,872	63,930
Parks and recreation	639,013	489,304	290,009
Library	49,833	49,833	59,250
Gas Utility	2,665,292	2,760,308	2,527,053
	19,892,074	18,048,788	17,322,517
SHORTFALL OF REVENUE OVER EXPENSES BEFORE TRANSFERS FOR CAPITAL	(6,493,298)	(4,155,939)	(3,488,546)
Government transfers for capital (Schedule 5)	1,760,382	1,651,623	1,984,778
SHORTFALL OF REVENUE OVER EXPENSES	(4,732,916)	(2,504,316)	(1,503,768)
ACCUMULATED SURPLUS - BEGINNING OF YEAR	67,382,948	67,382,948	68,886,716
ACCUMULATED SURPLUS - END OF YEAR	\$ 62,650,032	\$ 64,878,632	\$ 67,382,948

COUNTY OF TWO HILLS NO. 21

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2025

	Budget (unaudited)	2025	2024
SHORTFALL OF REVENUE OVER EXPENSES	\$ (4,732,916)	\$ (2,504,316)	\$ (1,503,768)
Acquisition of tangible capital assets	(1,402,728)	(1,369,952)	(2,652,537)
Proceeds on disposal of tangible capital assets	132,500	34,853	587,027
(Gain) / loss on disposal of tangible capital assets	-	(28,302)	71,329
Amortization of tangible capital assets	3,105,675	2,753,323	2,961,340
Amortization added to tangible capital assets	-	126,485	69,682
	1,835,447	1,516,407	1,036,841
Acquisition of prepaid expenses	-	(82,455)	(26,786)
Acquisition of inventory for consumption	-	(326,187)	(71,314)
	-	(408,642)	(98,100)
	1,835,447	1,107,765	938,741
DECREASE IN NET FINANCIAL ASSETS	(2,897,469)	(1,396,551)	(565,027)
NET FINANCIAL ASSETS - BEGINNING OF YEAR	16,366,646	16,366,646	16,931,673
NET FINANCIAL ASSETS - END OF YEAR	\$ 13,469,177	\$ 14,970,095	\$ 16,366,646

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Consolidated Statement of Cash Flows
Year Ended December 31, 2025

	2025	2024
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING ACTIVITIES		
Annual deficit for the year	\$ (2,504,316)	\$ (1,503,768)
Non-cash items included in shortfall of revenue over expenses:		
Amortization of tangible capital assets	2,753,323	2,961,340
Amortization added to tangible capital assets	126,485	69,682
(Gain) / loss on sale of tangible capital assets	(28,302)	71,329
	347,190	1,598,583
Non-cash charges to operations (net change):		
Decrease (increase) in taxes and grants in place of taxes receivable	3,689	(75,261)
Decrease (increase) in receivables from other governments	(5,105)	30,864
Decrease (increase) in trade and other receivables	126,611	(332,184)
Increase (decrease) in accounts payable and accrued liabilities	93,005	98,324
Increase (decrease) in employee benefit obligations	(14,882)	13,053
Increase (decrease) in gravel reclamation liability	(23,286)	(34,252)
Increase (decrease) in asset retirement obligations	5,129	252,913
Increase (decrease) in deposit liabilities	9,369	(49,043)
Increase (decrease) in deferred revenue	23,399	82,953
Decrease (increase) in inventory for consumption	(326,187)	(71,314)
Decrease (increase) in prepaid expenses	(82,455)	(26,786)
	(190,713)	(110,733)
Cash provided by operating transactions	156,477	1,487,850
CAPITAL		
Acquisition of tangible capital assets	(1,369,952)	(2,652,537)
Proceeds on disposal of tangible capital assets	34,853	587,027
Cash applied to capital transactions	(1,335,099)	(2,065,510)
FINANCING		
Increase in due to Regional Waste Management Commission	18,451	71,022
Repayment of long term debt	(49,734)	(47,904)
Debt charges recovered	49,734	47,904
Cash provided by financing transactions	18,451	71,022
INVESTING		
Decrease (increase) in restricted cash or cash equivalents	(24,518)	(82,813)
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(1,184,689)	(589,451)
Cash - beginning of year	17,346,634	17,936,085
CASH - END OF YEAR	\$ 16,161,945	\$ 17,346,634
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ 475,244	\$ 744,650
Interest paid	\$ 8,137	\$ 9,542
CASH CONSISTS OF:		
Cash and temporary investments (Note 2)	\$ 17,880,361	\$ 19,040,532
Less: restricted cash or cash equivalents (Note 2)	(1,718,416)	(1,693,898)
	\$ 16,161,945	\$ 17,346,634

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, 2025

	Unrestricted Surplus	Internally Restricted Surplus	Equity in Tangible Capital Assets	2025	2024
BALANCE, BEGINNING OF YEAR	\$ 13,216,644	\$ 6,710,066	\$ 47,456,238	\$ 67,382,948	\$ 68,886,716
Shortfall of revenue over expenses	(2,504,316)	-	-	(2,504,316)	(1,503,768)
Restricted funds used for operations	970,596	(970,596)	-	-	-
Current year funds used for tangible capital assets	(1,369,952)	-	1,369,952	-	-
Disposal of tangible capital assets	329	-	(329)	-	-
Annual amortization expense	2,879,808	-	(2,879,808)	-	-
Asset retirement obligation accretion expense	11,351	-	(11,351)	-	-
CHANGE IN ACCUMULATED SURPLUS	(12,184)	(970,596)	(1,521,536)	(2,504,316)	(1,503,768)
BALANCE, END OF YEAR (Note 14)	\$ 13,204,460	\$ 5,739,470	\$ 45,934,702	\$ 64,878,632	\$ 67,382,948

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Tangible Capital Assets
Year Ended December 31, 2025

(Schedule 2)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery & Equipment	Vehicles	2025	2024
COST								
BALANCE, BEGINNING OF YEAR	\$ 2,687,938	\$ 321,290	\$ 5,507,400	\$ 96,554,861	\$ 20,671,029	\$ 5,770,276	\$131,512,794	\$130,460,992
Acquisition of tangible capital assets	-	-	33,214	48,207	577,842	695,137	1,354,400	2,609,674
Construction-in-progress	-	-	-	13,552	-	2,000	15,552	-
Disposal of tangible capital assets	-	-	-	-	-	(13,771)	(13,771)	(1,600,735)
Asset retirement obligation	-	-	(1,040)	-	-	-	(1,040)	42,863
BALANCE, END OF YEAR	2,687,938	321,290	5,539,574	96,616,620	21,248,871	6,453,642	132,867,935	131,512,794
ACCUMULATED AMORTIZATION								
BALANCE, BEGINNING OF YEAR	-	169,524	2,824,686	66,311,724	10,516,424	3,981,285	83,803,643	81,715,000
Annual amortization	-	8,944	93,989	1,664,002	808,309	304,564	2,879,808	2,999,534
Accumulated amortization on disposals	-	-	(823)	-	-	(7,437)	(8,260)	(942,379)
Asset retirement obligation	-	-	-	-	-	-	-	31,488
BALANCE, END OF YEAR	-	178,468	2,917,852	67,975,726	11,324,733	4,278,412	86,675,191	83,803,643
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,687,938	\$ 142,822	\$ 2,621,722	\$ 28,640,894	\$ 9,924,138	\$ 2,175,230	\$ 46,192,744	\$ 47,709,151
2024 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	\$ 2,687,938	\$ 151,766	\$ 2,682,714	\$ 30,243,592	\$ 10,154,605	\$ 1,788,991	\$ 47,709,151	

See notes to financial statements

COUNTY OF TWO HILLS NO. 21

Consolidated Schedule of Property and Other Taxes

(Schedule 3)

Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
TAXATION			
Residential land and improvements	\$ 3,724,722	\$ 3,733,902	\$ 3,476,311
Farmland	2,062,844	2,078,631	2,072,473
Non-residential land and improvements	682,923	664,337	625,084
Machinery and equipment	556,284	556,284	586,352
Linear property	3,517,571	3,525,834	3,453,618
	10,544,344	10,558,988	10,213,838
REQUISITIONS			
Alberta School Foundation Fund	1,834,943	1,834,944	1,667,352
Eagle Hill Foundation	739,199	739,199	738,018
Designated Industrial Property	10,610	10,752	11,279
	2,584,752	2,584,895	2,416,649
NET MUNICIPAL TAXES	\$ 7,959,592	\$ 7,974,093	\$ 7,797,189

COUNTY OF TWO HILLS NO. 21

**Consolidated Schedule of Government Transfers for Operating
Year Ended December 31, 2025**

(Schedule 4)

	Budget <i>(Unaudited)</i>	2025	2024
TRANSFERS FOR OPERATING			
Provincial	\$ 667,927	\$ 700,464	\$ 732,221
Federal grants-operating	23,400	96,377	25,589
	\$ 691,327	\$ 796,841	\$ 757,810

**Consolidated Schedule of Government Transfers for Capital
Year Ended December 31, 2025**

(Schedule 5)

	Budget <i>(Unaudited)</i>	2025	2024
TRANSFERS FOR CAPITAL			
Provincial	\$ 1,415,382	\$ 1,410,574	\$ 1,415,700
Federal	335,000	241,049	557,287
Local government	10,000	-	11,791
	\$ 1,760,382	\$ 1,651,623	\$ 1,984,778

**Consolidated Schedule of Expenses by Object
Year Ended December 31, 2025**

(Schedule 6)

	Budget <i>(Unaudited)</i>	2025	2024
CONSOLIDATED EXPENSES BY OBJECT			
Salaries, wages and benefits	\$ 6,947,477	\$ 5,836,945	\$ 5,692,547
Contracted and general services	2,783,990	2,662,720	2,286,743
Purchases from other governments	835,121	1,102,534	928,206
Materials, goods and utilities	5,298,366	4,743,355	4,308,939
Provision for allowances	400,000	457,114	582,780
Transfers to other governments	100,000	100,000	100,000
Transfers to local boards and agencies	407,833	407,833	171,041
Bank charges and short-term interest	7,720	8,137	9,542
Amortization of tangible capital assets	3,105,677	2,753,323	2,929,852
(Gain)/ loss on sale of tangible capital assets	-	(28,302)	71,329
Accretion of asset retirement obligation	-	5,129	241,538
	\$ 19,886,184	\$ 18,048,788	\$ 17,322,517

COUNTY OF TWO HILLS NO. 21

Statement of Operating Revenue And Expenses For The Gas Utility

(Schedule 7)

Year Ended December 31, 2025

	Budget (Unaudited)	2025	2024
REVENUE			
Gas sales	\$ 1,611,051	\$ 1,802,898	\$ 1,552,380
PURCHASES			
Gas purchases and billing charges	835,121	1,101,259	928,206
GROSS PROFIT	775,930	701,639	624,174
OTHER OPERATING REVENUE			
Other sales and service	93,800	151,974	157,547
Penalties and interest income	35,150	28,472	32,770
Profit on capital construction	-	41,250	120,450
Service charges	533,128	550,099	505,808
Capital grants	10,000	49,700	84,379
Operating grants	2,100	2,031	2,100
	674,178	823,526	903,054
EXPENSES			
Accretion of asset retirement obligation	-	607	12,763
Amortization	268,060	260,303	256,918
Bad debt expense	5,000	(1,068)	6,890
Council remuneration	24,940	18,067	15,895
Insurance, permits, damage claims	69,575	60,518	63,447
Materials and supplies	70,000	175,208	156,059
Memberships, dues, fees	28,410	28,766	26,380
Office supplies	60,025	50,743	44,296
Professional fees	24,000	18,468	20,684
Repair and maintenance	210,150	54,222	31,642
Travel and training	14,500	9,771	12,964
Utilities	48,600	52,549	50,175
Vehicle and equipment costs	96,600	85,382	91,112
Wages and benefits	907,311	845,513	809,625
	1,827,171	1,659,049	1,598,850
SHORTFALL OF REVENUE OVER EXPENSES	\$ (377,063)	\$ (133,884)	\$ (71,622)

COUNTY OF TWO HILLS NO. 21
Consolidated Schedule of Segmented Disclosures
Year Ended December 31, 2025

(Schedule 8)

	General Government	Protective Services	Transportation Services	Agriculture & Development	Recreation & Culture	Environmental Services	Gas utility	Family & Community Support Services	2025
REVENUE									
Net municipal taxes	\$ 7,974,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,974,093
User fees and sales of goods	12,271	206,630	417,538	17,215	27,165	491,388	2,520,028	-	3,692,235
Government transfers	33,214	377,691	1,499,886	228,889	110,000	36,501	51,731	110,551	2,448,463
Investment income	465,280	-	-	-	-	-	13,415	-	478,695
Other revenues	490,513	32,500	89,223	51,448	-	246,052	41,250	-	950,986
	8,975,371	616,821	2,006,647	297,552	137,165	773,941	2,626,424	110,551	15,544,472
EXPENSES									
Salaries and wages	1,150,165	127,385	3,098,315	307,663	75,068	251,242	827,107	-	5,836,945
Contract and general services	847,789	274,775	741,973	157,320	48,083	382,525	210,255	-	2,662,720
Purchases from/transfers to other governments	100,000	-	-	1,275	-	-	1,101,259	-	1,202,534
Goods and supplies	279,311	463,866	2,764,776	352,044	-	381,549	360,620	141,189	4,743,355
Provision for allowances	458,182	-	-	-	-	-	(1,068)	-	457,114
Transfers to local boards	-	-	-	8,000	399,833	-	-	-	407,833
Other expenses	(22,975)	1,734	4,272	499	348	(746)	1,832	-	(15,036)
	2,812,472	867,760	6,609,336	826,801	523,332	1,014,570	2,500,005	141,189	15,295,465
NET REVENUE (LOSS) BEFORE AMORTIZATION	6,162,899	(250,939)	(4,602,689)	(529,249)	(386,167)	(240,629)	126,419	(30,638)	249,007
Amortization expense	12,119	66,137	2,184,627	8,613	15,806	205,718	260,303	-	2,753,323
	12,119	66,137	2,184,627	8,613	15,806	205,718	260,303	-	2,753,323
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	\$ 6,150,780	\$ (317,076)	\$ (6,787,316)	\$ (537,862)	\$ (401,973)	\$ (446,347)	\$ (133,884)	\$ (30,638)	\$ (2,504,316)

See notes to financial statements

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the County of Two Hills No. 21 (the Municipality) are the representations of management and are 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:

(a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed or goods have yet to be provided.

Revenue is recognized in the period when the related expenses are incurred, services performed/goods provided, or the tangible capital assets are acquired.

(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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

- 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.

(*continues*)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- 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.

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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

- **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.

(continues)

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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.

(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 or 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.

2. CASH AND TEMPORARY INVESTMENTS

	2025	2024
Cash	\$ 4,730,688	\$ 2,135,672
Temporary investments	13,149,673	16,904,860
	\$ 17,880,361	\$ 19,040,532

The Municipality has an authorized revolving loan with a limit of of \$1,985,000, bearing interest at prime plus 1% (2024 - prime plus 1%). The balance outstanding at December 31, 2025 was Nil (2024 - Nil).

Temporary investments are Guaranteed Investment Certificates with maturities less than twelve months from year end date. Rates vary from 2.6% to 3.0% (2024 - 3.6% to 3.9%).

Council has designated funds of \$5,739,470 (2024 - \$6,710,066) included in the above amounts for restricted surplus.

Included in cash and temporary investments is a restricted amount of \$1,718,416 (2024 - \$1,693,898) comprised of \$225,204 (2024 - \$215,835) of deposit liabilities and \$1,493,212 (2024 - \$1,478,063) of deferred revenue received from various sources and held exclusively for approved projects.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

3. TAXES AND GRANTS IN PLACE OF TAXES RECEIVABLE

	2025	2024
Current	\$ 419,543	\$ 404,589
Arrears	1,020,830	4,673,347
	1,440,373	5,077,936
Less: allowance for uncollectible accounts	(910,416)	(4,544,290)
	\$ 529,957	\$ 533,646

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:

	2025	2024
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, 2025

5. DEBT CHARGES RECOVERABLE

	2025	2024
Current debt charges recoverable	\$ 29,356	\$ 49,734
Non-current debt charges recoverable	77,552	106,908
	\$ 106,908	\$ 156,642

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2030	8,367	1,405	9,772
Thereafter	45,398	3,462	48,860
	\$ 106,908	\$ 13,091	\$ 119,999

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

	2025	2024
Vacation	\$ 246,157	\$ 261,039

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, 2025

7. DEFERRED REVENUE

	Opening balance	Received	Recognized as revenue	2025	2024
Capital Grants					
Canada Community Building Fund Strategic Transportation Infrastructure Program - Local Road Bridge	\$ 742,074	\$ 10,921	\$ (241,049)	\$ 511,946	\$ 742,074
Local Government Fiscal Framework	114,529	3,900	-	118,429	114,529
	269,572	1,637,589	(1,410,574)	496,587	269,572
	1,126,175	1,652,410	(1,651,623)	1,126,962	1,126,175
Operating Grants					
Bridge Upgrade Watershed Resiliency Local Government Fiscal Framework Watershed Resiliency and Restoration Program Fire Gear Northern & Regional Economic Program Hairy Hill Transitional Funding Wildlife Management Fund Family & Community Support Services Agriculture Service Board Environmental Stream Gas Federation Canada Summer Jobs	50,340	1,721	-	52,061	50,340
	13,104	306	(4,190)	9,220	13,104
	-	396,130	(396,130)	-	-
	51,389	53,829	(34,086)	71,132	51,389
	20,595	16,200	(19,639)	17,156	20,595
	101,080	2,533	-	103,613	101,080
	109,652	2,563	(7,872)	104,343	109,652
	-	10,000	(1,275)	8,725	-
	-	100,551	(100,551)	-	-
	-	166,247	(166,247)	-	-
	-	18,750	(18,750)	-	-
	-	49,700	(49,700)	-	-
	-	8,400	(8,400)	-	-
	346,160	826,930	(806,840)	366,250	346,160
Other Deferred Revenue					
Roadway Oiling Fee Ukraine Silent Auction Fund Subdivision Access Gas - Infill Deposits	72,750	-	-	72,750	72,750
	5,728	97	(5,825)	-	5,728
	1,500	-	-	1,500	1,500
	-	8,250	-	8,250	-
	79,978	8,347	(5,825)	82,500	79,978
	\$ 1,552,313	\$ 2,487,687	\$ (2,464,288)	\$ 1,575,712	\$ 1,552,313

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

8. DEPOSIT LIABILITIES

	2025	2024
Public reserve	\$ 204,786	\$ 196,167
Tax sale surplus	10,966	10,527
Road and gravel deposits	6,328	6,119
Water service deposit	3,124	3,022
	\$ 225,204	\$ 215,835

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

	2025	2024
Due to Two Hills Regional Waste Management Commission	\$ 952,673	\$ 934,222

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

	2025	2024
Provision for gravel pit reclamation	\$ 205,334	\$ 228,620

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, 2025

11. LONG TERM DEBT

	2025	2024
Debentures recoverable (Note 5)	\$ 106,908	\$ 156,642

Principal and interest repayments are as follows:

	Principal	Interest	Total
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
2030	8,367	1,405	9,772
Thereafter	45,398	3,462	48,860
	\$ 106,908	\$ 13,091	\$ 119,999

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% (2024 - 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 \$8,137 (2024 - \$9,542).

Interest on long-term debt amounted to nil (2024 - 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:

	2025	2024
Total debt limit	\$ 20,788,145	\$ 20,750,957
Total debt	-	-
Amount of debt limit unused	\$ 20,788,145	\$ 20,750,957
Debt servicing limit	\$ 3,464,691	\$ 3,458,493
Debt servicing	-	-
Amount of debt servicing limit unused	\$ 3,464,691	\$ 3,458,493

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, 2025

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 demolition 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 \$332,986. The estimated total liability of \$258,042 (2024 - \$252,913) 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.

	2025
<u>Total asset retirement obligation</u>	
Balance, beginning of year	\$ 252,913
Liabilities disposed	(6,222)
Accretion expense	11,351
Estimated total liability	\$ 258,042

13. INVENTORY FOR CONSUMPTION

Municipal inventories consist of the following:

	2025	2024
Public Works gravel	\$ 2,298,695	\$ 2,147,000
Public Works coldmix	30,325	27,061
Public Works miscellaneous	568,399	393,295
Public Works fuel	18,838	21,478
Agricultural services	13,706	20,118
Fire inventory	5,549	4,651
Sewer systems-inventory	2,577	2,142
Water systems-inventory	21,762	20,301
	2,959,851	2,636,046
Gas utility	101,573	99,191
	\$ 3,061,424	\$ 2,735,237

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

14. ACCUMULATED SURPLUS

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

	2025	2024
Unrestricted surplus	\$ 13,204,460	\$ 13,216,644
Internally restricted surplus		
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	644,903
Roads	427,885	1,398,481
Gas Utility capital replacement	312,612	312,612
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	5,739,470	6,710,066
Equity in tangible capital assets		
Tangible capital assets (<i>Schedule 2</i>)	132,867,935	131,512,794
Accumulated amortization (<i>Schedule 2</i>)	(86,675,191)	(83,803,643)
Asset retirement obligation (<i>Note 12</i>)	(258,042)	(252,913)
Equity in tangible capital assets	45,934,702	47,456,238
	\$ 64,878,632	\$ 67,382,948
Unrestricted surplus consists of the following:		
General Municipal	\$ 9,798,564	\$ 9,799,727
Gas Utility	3,405,896	3,416,917
	13,204,460	13,216,644
Internally restricted surplus consists of the following:		
General Municipal	4,781,955	5,752,551
Gas Utility	957,515	957,515
	5,739,470	6,710,066
Equity in tangible capital assets consists of the following:		
General Municipal	39,496,709	40,895,381
Gas Utility	6,437,993	6,560,857
	45,934,702	47,456,238
	\$ 64,878,632	\$ 67,382,948

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

15. COMMITMENTS AND CONTINGENCIES

The Municipality has committed to purchasing equipment for \$553,668 plus GST and a software system conversion for \$325,000 plus GST.

The Municipality has long term lease and maintenance agreements with respect to office equipment and vehicles. Future minimum lease payments as at December 31, 2025, are as follows, plus additional variable charges based on usage:

2026	\$	97,269
2027		88,437
2028		40,691
2029		7,805
	\$	<u>234,202</u>

16. RELATED PARTY TRANSACTIONS

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

	2025
Phillips Family Farm Inc. <i>(Reeve's parents)</i> Gravel royalties paid	\$ 54,060
Yak Of All Trades <i>(Councilor's son)</i> Tools purchased	\$ 1,825

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.

	2025	2024
Current service contributions by Employer	\$ 339,954	\$ 326,100
Current service contributions by Employee	300,440	291,129
	\$ 640,394	\$ 617,229

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, 2024 the LAPP disclosed an actuarial surplus of \$19.557 billion.

COUNTY OF TWO HILLS NO. 21
Notes to Consolidated Financial Statements
Year Ended December 31, 2025

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	2025	2024
Reeve	Phillips	\$ 53,360	\$ 9,342	\$ 62,702	\$ 66,559
Deputy Reeve	Gulayec	55,100	6,387	61,487	65,301
Councilors	Yakemchuk	45,820	11,098	56,918	57,080
	Lapaschuk	10,150	2,620	12,770	-
	Boettcher	7,830	709	8,539	-
	Saskiw	31,900	4,174	36,074	45,323
	Dutrisac	33,930	8,214	42,144	56,642
CAO		195,085	15,445	210,530	204,203
Designated Officers	2 positions	242,514	25,199	267,713	260,049

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, 2025

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 \$910,416 (2024 - \$4,544,290)
- Trade and other receivables - municipal is \$6,064 (2024 - \$7,006)
- Trade and other receivables - gas utility is \$1,323 (2024 - \$2,970).

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.