

**Kneehill County
Financial Statements
For the year ended December 31, 2023**

Drafts for discussion purposes only

Kneehill County
Financial Statements
For the year ended December 31, 2023

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Independent Auditor's Report

To the Reeve and Council of Kneehill County

Opinion

We have audited the financial statements of Kneehill County, which comprise the statement of financial position as at December 31, 2023, and the statement of operations, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report, continued

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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Chartered Professional Accountants,
Red Deer, Alberta
Xxx, 2024

Kneehill County
Statement of Financial Position

December 31	2023	2022
		Restated
Financial assets		
Cash and cash equivalents (Note 2)	\$ 21,733,613	\$ 26,093,046
Investments (Note 3)	51,511,836	41,898,411
Taxes receivable (Note 4)	1,295,534	1,024,081
Accounts receivable (Note 5)	5,979,653	3,862,215
Land held for resale	75,899	75,899
	<u>80,596,535</u>	<u>72,953,652</u>
Liabilities		
Accounts payable and accrued liabilities	1,903,674	1,758,467
Employee benefit obligation (Note 6)	786,437	835,077
Deposit liabilities	110,000	110,000
Deferred revenue (Note 7)	4,502,450	5,662,220
Asset retirement obligation (Note 8)	6,812,895	6,627,330
Liability for contaminated sites (Note 9)	428,907	416,475
	<u>14,544,363</u>	<u>15,409,569</u>
Net financial assets	<u>66,052,172</u>	<u>57,544,083</u>
Non-financial assets		
Tangible capital assets (Note 10)	113,990,731	114,358,008
Inventory for consumption (Note 11)	7,645,837	8,396,169
Prepaid expenses	319,395	272,808
	<u>121,955,963</u>	<u>123,026,985</u>
Accumulated surplus (Note 13)	<u>\$ 188,008,135</u>	<u>\$ 180,571,068</u>
Debture debt limits (Note 20)		
Contingencies (Note 21)		
Commitments (Note 21)		

Kneehill County
Statement of Operations

For the year ended December 31	Budget 2023	2023	2022
Revenue			
Net municipal taxes (Note 15)	\$ 24,291,690	\$ 24,573,268	\$ 24,082,800
Government transfers for operating (Note 16)	463,302	709,810	353,176
Sales and user fees	865,603	2,010,642	1,992,503
Rental revenue	140,404	132,144	139,600
Investment income	766,784	3,126,948	1,251,242
Penalties and costs on taxes	112,500	140,441	1,154,475
Fines and costs	13,000	5,044	5,752
Other	61,100	182,514	662,451
Local improvement tax	281,485	322,495	328,254
Sales to other governments	98,000	112,755	112,186
Gain/(loss) on disposal of assets	-	7,247	(2,326)
	<u>27,093,868</u>	<u>31,323,308</u>	<u>30,080,113</u>
Expenditures (Note 17)			
Legislative	1,120,602	1,069,908	971,565
Administration and assessment	4,377,422	4,008,931	4,400,952
Protective services	2,611,967	2,274,875	2,176,622
Transportation	10,974,702	12,779,808	11,509,571
Water and wastewater	3,152,698	3,157,321	3,069,861
Waste management	593,897	558,958	526,492
Public health and welfare	208,119	187,118	191,317
Planning and development	588,158	608,385	547,609
Economic/ agricultural development	1,106,663	949,844	716,955
Parks, recreation and culture	963,932	912,483	1,219,679
	<u>25,698,160</u>	<u>26,507,631</u>	<u>25,330,623</u>
Excess (deficiency) of revenue over expenditures - before other	<u>1,395,708</u>	<u>4,815,677</u>	<u>4,749,490</u>
Other			
Government transfers for capital (Note 16)	3,200,000	2,621,390	810,742
Excess of revenue over expenditures	<u>4,595,708</u>	<u>7,437,067</u>	<u>5,560,232</u>
Accumulated surplus, beginning of year	<u>180,571,068</u>	<u>180,571,068</u>	<u>175,010,836</u>
Accumulated surplus, end of year	<u>\$ 185,166,776</u>	<u>\$ 188,008,135</u>	<u>\$ 180,571,068</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Kneehill County
Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2023	2023	2022
Excess of revenue over expenditures	\$ 4,595,708	\$ 7,437,067	\$ 5,560,232
Acquisition of tangible capital assets	(10,394,353)	(6,140,707)	(1,586,462)
Amortization of tangible capital assets	6,035,960	6,035,960	6,090,712
Net (gain) loss on sale of tangible capital assets	-	(7,247)	2,326
Proceeds on sale of tangible capital assets	100,000	479,272	85,388
Write-down on cost of tangible capital assets	-	-	80,325
	337,315	7,804,345	10,232,521
Change in prepaid expenses	-	(46,588)	(34,276)
Purchase inventory for consumption	(4,741,336)	(3,888,862)	(2,971,196)
Use inventory for consumption	-	4,639,194	2,895,971
Net change in net financial assets	(4,404,021)	8,508,089	10,123,020
Net financial assets, beginning of year	57,544,083	57,544,083	47,421,063
Net financial assets, end of year	\$ 53,140,062	\$ 66,052,172	\$ 57,544,083

Kneehill County
Statement of Cash Flows

For the year ended December 31	2023	2022
		Restated
Operating transactions		
Excess of revenue over expenditures	\$ 7,437,067	\$ 5,560,232
Items not involving cash		
Amortization	6,035,960	6,090,712
Net loss (gain) on disposal of tangible capital assets	(7,247)	2,326
Write-down of tangible capital assets	-	80,325
Changes in non-cash operating balances		
Taxes receivable	(271,453)	3,265,203
Accounts receivable	(2,117,438)	1,668,818
Asset retirement obligation	185,565	137,749
Prepaid expenses	(46,588)	(34,273)
Accounts payable and accrued liabilities	145,207	(397,142)
Inventory for consumption	750,332	(75,225)
Employee benefit obligation	(48,640)	(130,427)
Deferred revenue	(1,159,770)	744,837
Liability for contaminated sites	12,432	19,075
	<u>10,915,427</u>	<u>16,932,210</u>
Capital transactions		
Acquisition of tangible capital assets	(6,140,707)	(1,586,462)
Proceeds on sale of tangible capital assets	479,272	85,389
	<u>(5,661,435)</u>	<u>(1,501,073)</u>
Investing transactions		
(Purchase)/sale of short term investments	(9,613,425)	4,101,854
Net change in cash and cash equivalents	(4,359,433)	19,532,991
Cash and cash equivalents, beginning of year	<u>26,093,046</u>	<u>6,560,055</u>
Cash and cash equivalents, end of year	<u>\$ 21,733,613</u>	<u>\$ 26,093,046</u>
Cash and cash equivalents is comprised of:		
Cash and cash equivalents	\$ 21,733,613	\$ 26,093,046
Less: restricted (Note 2)	(345,453)	(2,986,024)
	<u>\$ 21,388,160</u>	<u>\$ 23,107,022</u>

Kneehill County
Summary of Significant Accounting Policies

December 31, 2023

**Management's
Responsibility for the
Financial Statements**

The financial statements of the County are the responsibility of management. They have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis of Consolidation

The financial statement reflect the assets, liabilities, revenue and expenses of all municipal organizations, committees and Boards which are owned or controlled by the County and are, therefore, accountable to the County Council for the administration of their financial affairs and resources.

The schedule of taxes levied also includes operational requisitions for educational, health, social and other external organizations that are not part of the municipal reporting entity.

The statement excludes trust assets that are administered for the benefit of external parties. Interdepartmental and organizational transactions and balances are eliminated.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Investments

Investments are recorded at cost unless there has been a decline in the market value which is other than temporary in nature in which case the investments are written down to market value.

Kneehill County
Summary of Significant Accounting Policies

December 31, 2023

Financial Instruments Cash and equity instruments quoted in an active market are measured at fair value (hierarchy level one - quoted market prices). All other financial instruments, are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For portfolio measurements measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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

Inventory for Consumption Inventories of materials and supplies for consumption are valued at the lower of cost or replacement cost. Inventory of gravel is maintained by perpetual records and is recorded in the accounts to the extent of royalties, land costs, crushing costs incurred, hauling and equipment rentals.

Kneehill County
Summary of Significant Accounting Policies

December 31, 2023

Excess Collections and Under-levies

Excess collections arise from the difference between the actual levy made to cover each requisition and the actual amount requisitioned. If the actual levy exceeds the requisition, the excess collection is accrued as a liability and as a reduction in property tax revenue. If the actual levy is less than the requisition, the under-levy is accrued as a receivable and as an increase in property tax revenue. Requisition tax rates in the subsequent year are adjusted for any excess collections or under-levies.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 20 years
Buildings	25 to 50 years
Engineered Structures	
Water system	15 to 75 years
Wastewater system	25 to 60 years
Other engineered structures	6 to 100 years
Machinery, equipment and furnishings	5 to 45 years
Vehicles	5 to 20 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

Leased Assets

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the County, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.

Pension Expenditure

The County's participates in a multi-employer defined benefit pension plan. The plan is accounted for as a defined contribution plan.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general municipal purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified

Kneehill County
Summary of Significant Accounting Policies

December 31, 2023

purpose.

Revenue Recognition

Revenue from transactions with no performance obligation is recognized at realizable value when the commission has the authority to claim or retain an inflow of economic resources and identifies a past transaction or event giving rise to an asset.

Revenue from transactions with performance obligations is recognized as the performance obligations are satisfied by providing the promised goods or services to the payor. User fees are recognized over the period of use, sales of goods are recognized when goods are delivered.

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or are the result of a direct financial return. Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be determined. Transfers where stipulations give rise to a liability are recognized as revenue as the stipulation liabilities are settled.

Asset Retirement

Obligation

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 County to incur retirement costs, the past transaction has 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 County uses a cost escalation or current estimates, which approximates the estimated cost if work was to be completed as of the financial statement date.

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. At each financial reporting date, the County reviews the carrying amount of the liability. The County 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, or the amount of the original estimate are recognized as an increase or decrease to the carrying amount of the related tangible capital asset. The County 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.

Kneehill County
Summary of Significant Accounting Policies

December 31, 2023

Liability for Contaminated Sites Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of a contaminated site is recognized when the County is either directly responsible or accepts responsibility and is management's estimate of the cost of post-remediation including operation, maintenance and monitoring.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are included in accounts receivable after evaluation as to their collectability, amortization based on the estimated useful lives of tangible assets, estimates included in asset retirement obligations, and sick leave benefit. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Change in Accounting Policy

PS 3280 Asset Retirement Obligation (ARO)

PS 3280 ARO, a new standard establishes guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. Information presented for comparative purposes is restated unless the necessary financial data is not reasonably determinable.

Effective January 1, 2023 the County adopted the new accounting standard PS 3280 Asset Retirement Obligations and applied the standard using the modified retroactive approach with restatement of prior year comparative information.

On the effective date of the PS 3280 standard, the County recognized the following to conform to the new standard:

- asset retirement obligations adjusted for accumulated accretion to the effective date;
- asset retirement cost capitalized as an increase to the carrying amount of the related tangible capital assets in productive use;
- accumulated amortization on the capital cost; and
- adjustment to the opening balance of the accumulated surplus/deficit.

Kneehill County
Notes to Financial Statements

December 31, 2023

Amounts are measured using information, assumptions and inflation rates where applicable that are current on the effective date of the standard. The amount recognized as an asset retirement cost is measured as of the date the asset retirement obligation was incurred. Accumulated accretion and amortization are measured for the period from the date the liability would have been recognized had the provisions of this standard been in effect to the date as of which this standard is first applied.

	<u>2022 as Reported</u>	<u>Adjustment</u>	<u>2022 Restated</u>
Statement of Operations:			
Expenses	\$ 25,101,558	229,065	\$ 25,330,623
Excess of revenue over expenditures	\$ 5,789,297	(229,065)	\$ 5,560,232
Accumulated surplus, beginning of the year	\$ 180,410,566	(5,399,730)	\$ 175,010,836
Accumulated surplus, end of the year	\$ 186,199,863	(5,628,795)	\$ 180,571,068
Statement of Financial Position:			
Liability	\$ 9,610,533	5,799,036	\$ 15,409,569
Net Financial Assets	\$ 53,039,588	4,504,495	\$ 57,544,083
Non-Financial Assets	\$ 122,856,744	170,241	\$ 123,026,985
Statement of Change in Net Financial Assets			
Excess of revenue over expenditures	\$ 5,789,297	(229,065)	\$ 5,560,232
Net Financial Assets beginning of the year	\$ 53,039,588	(5,618,525)	\$ 47,421,063
Net Financial Assets end of the year	\$ 63,343,119	(5,799,036)	\$ 57,544,083

PS 3450 Financial Instruments, provides guidance on the recognition, measurement, presentation, and disclosure of financial instruments including derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the County. Management has reviewed the standard and all the financial statements and determined the County does not have derivative or equity instruments. The financial instruments have been measured based on the significant accounting policy. Refer to Note 26 on the County's financial instrument risk.

Kneehill County
Notes to Financial Statements

December 31, 2023

2. Cash and Cash Equivalents

	2023	2022
Current account	\$ 21,733,613	\$ 26,093,046

The County has an undrawn line of credit of \$2,500,000 that is available should the need arise. The line of credit bears interest at prime minus 0.75%.

Included in the above amounts are the following amounts received from the Government of Canada and the Province of Alberta as conditional grants held exclusively for future projects.

	2023	2022
Municipal Sustainability Initiative - Capital	215,453	2,769,254
Other	110,000	110,000
Strategic Transportation Infrastructure Program	20,000	106,770
	\$ 345,453	\$ 2,986,024

3. Investments

	2023	2022
Guaranteed investment certificates, bearing interest at rates of 1.75% to 6.05% and maturing between January of 2024 and July of 2025.	\$ 51,511,836	\$ 41,898,411

Kneehill County
Notes to Financial Statements

December 31, 2023

4. Taxes Receivable

	<u>2023</u>	<u>2022</u>
Current taxes and grants in place	\$ 1,198,577	\$ 1,863,740
Non-current taxes and grants in place	229,377	(733,642)
Less: Allowance for doubtful accounts	<u>(132,420)</u>	<u>(106,017)</u>
	<u>\$ 1,295,534</u>	<u>\$ 1,024,081</u>

5. Accounts Receivable

	<u>2023</u>	<u>2022</u>
Trade receivables	\$ 5,795,428	\$ 3,712,976
GST receivable	<u>184,225</u>	<u>149,239</u>
	<u>\$ 5,979,653</u>	<u>\$ 3,862,215</u>

Kneehill County
Notes to Financial Statements

December 31, 2023

6. Employee Benefit Obligation

	2023	2022
Accrued early retirement program	\$ 82,527	\$ 138,326
Accrued vacation pay	239,054	244,134
Accrued sick leave benefit	464,856	452,617
	\$ 786,437	\$ 835,077

The vacation and sick benefits liability is comprised of vacation and sick days credits 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 budget year. The early retirement program was an incentive for eligible employees to receive a percentage of their salary should they choose to retire before turning 65. Only employees hired prior to January 1, 2007 who are at least 55 years old were eligible. At December 31, 2023, all employees eligible for the early retirement benefit have retired. As such, the remaining expected cash outflows from this benefit are \$58,074 in 2024 and \$24,453 in 2025

Sick Leave Benefits

The County updated their sick leave policy as of November 30, 2021. Under the new policy the County provides paid sick leave at a rate of 12 days per year, which can accumulate from year to year to a total of 50 work days. Employees hired after November 1, 2021 are not entitled to payouts of accrued sick time.

Employees hired prior to November 1, 2021 are entitled to sick time payout upon retirement or termination, at a rate equal to the top tier of their wage band as of November 30, 2021, regardless of future market changes or promotion.

- Upon 4 years of service, 50% of accrued days will be vested and can be paid out upon end of service to a maximum of 50 days.
- Upon 9 years of service, 75% of accrued days will be vested and can be paid out upon end of service to a maximum of 50 days
- At or after 15 years of service, upon retirement and receiving pension, 100% of accrued days will be vested and can be paid out upon end of service to a maximum of 50 days.

Under the previous policy, employees were able to accrue up to 100 days vested based on the above. Under the transition to the new policy in 2021, employees vested sick time based on years of service and amount of sick time was recorded as at that date. Those employees with more than 50 days of accrued sick time at the time of the policy change received a payout of their accrued days in excess of 50 at their current pay rate.

Kneehill County
Notes to Financial Statements

December 31, 2023

7. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	Ending balance
MSI Capital	3,945,937	1,176,683	(2,553,801)	2,568,819
CCBF	1,609,513	313,071	(8,953)	1,913,631
STIP Bridges	106,770	20,000	(106,770)	20,000
	\$ 5,662,220	1,509,754	(2,669,524)	\$ 4,502,450

Deferred revenue relates to funding received in the current period that is related to the subsequent period.

\$4,156,997 of the deferred revenue is sitting in Accounts Receivable and the remaining \$345,453 is sitting in cash.

Municipal Sustainability Initiative Capital (MSI)

The Province provides conditional grant funding through this program to assist with various capital expenditures in the Municipality. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

Canada Community Building Fund (CCBF) - Formerly Federal Gas Tax

The Government of Canada provides Alberta Transportation with a grant restricted to eligible expenditures as approved under the funding agreement.

Strategic Transportation Infrastructure Program (STIP) - Bridges

The Province provides conditional grant funding through this program to assist the development and maintenance of local transportation infrastructure. The use of these funds is restricted to eligible expenditures as approved under the funding agreement.

December 31, 2023

8. Asset Retirement Obligation

Landfill

Solid waste closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, removal of ground water and leachates, and ongoing environmental monitoring, site inspection and maintenance. The estimated liability of the Landfill is \$232,117, which includes closure and post closure costs. The existing landfill site is expected to reach capacity in (approximately) 2028.

Remaining

The remaining Tangible Capital Assets that contain an Asset Retirement Obligation consist of Machinery and Equipment, Engineered Structures, Land Improvements, Buildings and Land. The estimated liability that makes up the remaining Tangible Capital Assets are \$6,580,778.

The costs were calculated according to assumed construction quantities and the quantum of service associated with the demolition and disposal of each Quantity.

Remediation was calculated based on normal use of specific assets where the presence of contamination is expected, and the quantum of service associated with the remedial activities.

Reclamation was calculated according to construction type, land use and disturbance area and the quantum of service associated with the activity.

All calculations for Kneehill County use the Cost Escalation method using an inflation rate of 2.8%. The county has not designated assets for settling the abatement activities.

	2023 (\$)	Restated 2022 (\$)
Balance, beginning of the year	<u>6,627,330</u>	6,446,819
Accretion expense	<u>185,565</u>	180,511
Estimated total liability	<u>6,812,895</u>	<u>6,627,330</u>

December 31, 2023

9. Liability for Contaminated Sites

The County has one site that falls under this standard.

This site was acquired through the tax recovery process. The contamination comes from an underground storage tank plus additional possible contamination from the former bulk fuel storage facility.

Costs to reclaim were estimated using the soil vapour extraction and air sparging technology at an estimated cost of \$428,907 over 3 years which includes costs to remove the tank, install equipment and operate the equipment for 3 years. Costs to reclaim have not been discounted.

Kneehill County
Notes to Financial Statements

December 31, 2023

10. Tangible Capital Assets

	2023							
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 2,472,888	\$ 3,692,414	\$ 21,129,758	\$ 178,247,183	\$ 10,834,874	\$ 11,629,624	\$ 174,782	\$ 228,181,523
Additions	-	-	-	2,835,627	2,179,912	803,228	321,940	6,140,707
Change in work in progress	-	-	-	267,702	-	-	(267,702)	-
Write-downs & disposals	-	-	-	(186,171)	(761,736)	(482,524)	-	(1,430,431)
Cost, end of year	\$ 2,472,888	\$ 3,692,414	\$ 21,129,758	\$ 181,164,341	\$ 12,253,050	\$ 11,950,328	\$ 229,020	\$ 232,891,799
Accumulated amortization, beginning of year	\$ -	\$ 1,882,602	\$ 6,126,849	\$ 94,819,430	\$ 5,138,328	\$ 5,856,306	\$ -	\$ 113,823,515
Amortization	-	143,565	506,105	3,907,430	741,155	737,705	-	6,035,960
Write-downs & disposals	-	-	-	(186,171)	(378,199)	(394,037)	-	(958,407)
Accumulated amortization, end of year	\$ -	\$ 2,026,167	\$ 6,632,954	\$ 98,540,689	\$ 5,501,284	\$ 6,199,974	\$ -	\$ 118,901,068
Net carrying amount, end of year	\$ 2,472,888	\$ 1,666,247	\$ 14,496,804	\$ 82,623,652	\$ 6,751,766	\$ 5,750,354	\$ 229,020	\$ 113,990,731

Kneehill County
Notes to Financial Statements

December 31, 2023

10. Tangible Capital Assets (continued)

								Restated - 2022
	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	Total
Cost, beginning of year	\$ 2,472,888	\$ 3,692,414	\$ 21,116,750	\$ 177,464,258	\$ 10,808,498	\$ 10,288,714	\$ 958,808	\$ 226,802,330
Additions		-	13,008	-	88,320	256,948	1,228,186	1,586,462
Change in work in progress		-	-	863,250	-	1,148,962	(2,012,212)	-
Write-downs & disposals	-	-	-	(80,325)	(61,944)	(65,000)	-	(207,269)
Cost, end of year	\$ 2,472,888	\$ 3,692,414	\$ 21,129,758	\$ 178,247,183	\$ 10,834,874	\$ 11,629,624	\$ 174,782	\$ 228,181,523
Accumulated amortization, beginning of year	\$ -	\$ 1,735,194	\$ 5,620,239	\$ 90,745,262	\$ 4,504,709	\$ 5,166,629	\$ -	\$ 107,772,033
Amortization		147,408	506,610	4,074,168	637,749	724,777	-	6,090,712
Write-downs		-	-	-	(4,130)	(35,100)	-	(39,230)
Accumulated amortization, end of year	\$ -	\$ 1,882,602	\$ 6,126,849	\$ 94,819,430	\$ 5,138,328	\$ 5,856,306	\$ -	\$ 113,823,515
Net carrying amount, end of year	\$ 2,472,888	\$ 1,809,812	\$ 15,002,909	\$ 83,427,753	\$ 5,696,546	\$ 5,773,318	\$ 174,782	\$ 114,358,008

Kneehill County
Notes to Financial Statements

December 31, 2023

11. Inventory For Consumption

	<u>2023</u>	<u>2022</u>
Gravel	\$ 7,086,090	\$ 7,753,602
Other transportation amounts	392,075	374,212
General department	<u>167,672</u>	<u>268,355</u>
	<u>\$ 7,645,837</u>	<u>\$ 8,396,169</u>

12. Equity in Tangible Capital Assets

	<u>2023</u>	<u>2022</u>
Tangible capital assets	\$ 232,891,799	Restated \$ 228,181,523
Accumulated amortization	(118,901,068)	(113,823,515)
Asset retirement obligation	<u>(6,812,895)</u>	<u>(6,627,329)</u>
	<u>\$ 107,177,836</u>	<u>\$ 107,730,679</u>

Kneehill County
Notes to Financial Statements

December 31, 2023

13. Accumulated Surplus

	2023	2022
		Restated
Equity in tangible capital assets (Note 12)	\$ 107,177,836	\$ 107,730,679
Equity in other non-financial assets	7,965,231	8,668,977
Unrestricted surplus	4,846,967	4,130,184
	119,990,034	120,529,840
 Reserves		
Operating Reserves:		
Contingency	2,123,754	1,606,646
Information Technology	260,947	267,366
Joint Community Summit	-	44,707
Doctor Recruitment	-	120,133
Gravel	2,349,528	2,099,528
Infrastructure	2,700,000	850,000
Planning	154,514	142,679
Parks	802,999	802,999
Transitional Funds	636,112	636,112
Revenue Stabilization Reserve	8,525,394	6,978,678
	17,553,248	13,548,848
 Capital Reserves:		
Capital Equipment Replacement	9,915,101	9,691,216
Buildings	2,417,460	2,072,704
Bridges	1,401,737	1,086,270
Roads	20,347,099	17,747,378
Water	4,570,644	4,232,000
Water Service Area	5,870,638	5,870,638
Environmental	1,950,541	1,950,541
Emergency Disaster	686,024	536,024
Hamlet Infrastructure	3,305,609	3,305,609
	50,464,853	46,492,380
 Total Reserves	68,018,101	60,041,228
	\$ 188,008,135	\$ 180,571,068

Reserves represents funds set aside by bylaw or council resolution for specific purposes.

Kneehill County
Notes to Financial Statements

December 31, 2023

14. Change in Accumulated Surplus

	Unrestricted surplus		Reserves		Equity in tangible capital assets		Equity in other non-financial assets		2023	2022 (restated)		
Balance, beginning of year	\$	4,130,184	\$	60,041,230	\$	107,730,678	\$	8,668,976	\$	180,571,068	\$	175,010,836
Excess of revenue over expenses		8,140,812		-		-		(703,745)		7,437,067		5,560,232
Net operating transfers to restricted surplus		(7,976,871)		7,976,871		-		-		-		-
Accretion expense		185,565		-		(185,565)		-		-		-
Capital transfers from restricted surplus		-		-		-		-		-		-
Acquisition of capital		(6,140,707)		-		6,140,707		-		-		-
Disposals and write-down of assets		472,024		-		(472,024)		-		-		-
Amortization		6,035,960		-		(6,035,960)		-		-		-
Change in accumulated surplus	\$	716,783	\$	7,976,871	\$	(552,842)	\$	(703,745)	\$	7,437,067	\$	5,560,232
Balance, end of year	\$	4,846,967	\$	68,018,101	\$	107,177,836	\$	7,965,231	\$	188,008,135	\$	180,571,068

Kneehill County
Notes to Financial Statements

December 31, 2023

15. Taxation - Net

	Budget 2023	2023	2022
Taxation			
Farmland	\$ 2,014,584	\$ 2,014,058	\$ 1,678,899
Residential	1,855,690	1,895,509	1,789,959
Commercial	-	995,624	932,472
Linear property	19,253,023	18,989,528	19,236,839
Designated Industrial	5,848,052	5,954,309	5,835,814
Minimum tax	42,000	60,464	43,054
Grants in lieu	-	1,363	1,218
Recreation levy	58,264	68,051	58,264
	<u>29,071,613</u>	<u>29,978,906</u>	<u>29,576,519</u>
Requisitions			
Alberta School Foundation Fund	4,601,673	5,229,893	5,330,803
Kneehill Foundation	83,347	83,013	75,708
Designated Industrial Property	94,903	92,732	87,208
	<u>4,779,923</u>	<u>5,405,638</u>	<u>5,493,719</u>
Available for general municipal purposes	<u>\$ 24,291,690</u>	<u>\$ 24,573,268</u>	<u>\$ 24,082,800</u>

16. Government Transfers

	Budget 2023	2023	2022
Operating			
Provincial government	\$ 463,302	\$ 709,810	\$ 349,256
Other local government	-	-	3,920
	<u>463,302</u>	<u>709,810</u>	<u>353,176</u>
Capital			
Provincial government	3,200,000	2,621,390	810,742
Total government transfers	<u>\$ 3,663,302</u>	<u>\$ 3,331,200</u>	<u>\$ 1,163,918</u>

Kneehill County
Notes to Financial Statements

December 31, 2023

17. Expenses by Object

	Budget 2023	2023	2022
Salaries and wages	\$ 10,273,850	\$ 9,199,979	\$ 8,579,580
Contracted and general services	5,367,931	5,375,816	5,091,161
Materials, goods and utilities	4,509,629	4,861,876	4,603,877
Transfer to local agencies	897,787	720,518	665,653
Transfer to individuals and organizations	256,811	110,352	105,034
Operating bank fees	19,000	17,565	14,095
Amortization	6,035,960	6,035,960	6,090,712
Accretion	-	185,565	180,511
	\$ 27,360,968	\$ 26,507,631	\$ 25,330,623

18. Municipal Employees Pension Plans

Local Authorities Pension Plan

Certain employees of the County are eligible to be members of the Local Authorities Pension Plan (LAPP), a multi-employer pension plan which is covered by the Public Sector Pension Plans Act. The Plan serves about 274,151 people and over 420 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. The plan provides defined pension benefits to employees based on their length of service and rates of pay.

The County contributes to the Plan at a rate of 8.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 12.23% for the excess. Employees contribute to the Plan at a rate of 7.45% of pensionable earnings up to the Canada Pension Plan Maximum Pensionable Earnings and 11.23% for the excess.

Contributions for the year were:

	2023	2022
Employer contributions	\$ 586,793	\$ 573,550
Employee contributions	534,727	515,175
	\$ 1,121,520	\$ 1,088,725

As this is a multi-employer pension plan, these contributions are the County's pension benefit expense. No pension liability for this type of plan is included in the County's financial statements. The most recent valuation as at December 31, 2022 indicates a surplus of \$12.7 billion (2021 surplus - \$11.9 billion) for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers.

Kneehill County
Notes to Financial Statements

December 31, 2023

19. Salary and Benefits Disclosure

Disclosure of salaries and benefits for municipal officials and designated officers as required by Alberta Regulation 313/2000 is as follows:

	Salary	Benefits & Allowances	Total 2023	Total 2022
Division 1 (1 person)	45,188	6,937	52,125	57,121
Division 2 (1 person)	41,450	6,938	48,388	45,273
Division 3 (1 person)	52,375	6,998	59,373	58,546
Division 4 (1 person)	47,300	6,938	54,238	49,406
Division 5 (1 person)	47,625	6,938	54,563	51,151
Division 6 (1 person)	48,113	6,937	55,050	54,051
Division 7 (1 person)	-	-	-	54,619
Chief Administration Officer	230,938	53,348	284,286	272,951

Salary includes regular base pay, bonuses, overtime, lump sum payments, gross honoraria and any other direct cash remuneration.

Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment, dental coverage, vision coverage, professional memberships, tuition, travel, cell phone, car allowances, and long and short term disability plans.

\$28,248 of the CAO salary costs is paid by Aqua 7 for the Management Contract.

Kneehill County
Notes to Financial Statements

December 31, 2023

20. Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/100 for the County be disclosed as follows:

	2023	2022
Total debt limit	\$ 46,974,092	\$ 45,123,659
Total debt	<u>20,000,000</u>	<u>20,000,000</u>
Total debt limit available	<u>26,974,092</u>	<u>25,123,659</u>
Debt servicing limit	<u>7,829,015</u>	<u>7,520,610</u>
Total debt servicing limit available	<u>7,829,015</u>	<u>7,520,610</u>

The debt limit is calculated at 1.5 times revenue of the County (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 which 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.

The County has provided a loan guarantee in the amount of \$20,000,000 to the Town of Trochu to support the potential building of Trochu Seniors Supportive Living Facility Project in the Town of Trochu. In compliance with Section 268 of the Municipal Government Act, the amount of the proposed loan guarantee does not cause the County to exceed its debt limit. If the Town of Trochu is unable to meet the terms of the loan the County will utilize cash reserves or funds raised through taxation to honour the terms of the loan. Along with other conditions the County's commitment to enter a guarantee shall be conditional on the Town receiving firm financial capital grant commitments of at least \$19,000,000 to undertake the project. As of December 31, 2023 the conditions of the loan guarantee have not been met.

21. Contingencies

The County is a member of the Alberta Local Municipal Insurance Exchange (Munix). Under the terms of membership, the County could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined.

Kneehill County
Notes to Financial Statements

December 31, 2023

22. Commitments

Kneehill County has contracts for 2023 to provide peace officer and by-law enforcement services at a cost recovery for the following Municipalities: Town of Three Hills, Village of Linden, Village of Acme, Village of Carbon.

Kneehill County is managing partner of the Aqua 7 Regional Water Services Commission. The current contract is from January 1, 2023 to December 31, 2025. The County will receive \$86,450 in those three years for fees to provide support services to the Commission.

Kneehill County is a partnering member of the Drumheller and District Solid Waste Management Association. In 2023 Kneehill County paid requisition of \$253,254.

Kneehill County extended their contract for assessment services until 2024. The total financial commitment from 2023 was \$178,829 and is anticipated to be \$180,936 in 2024.

Kneehill County is part of a Master Fire Protection Agreement with the following Municipalities to provide fire protection services to rural residents in the County for 2023 inclusive, the total commitment is as follows:

	2024 (\$)	2023 (\$)
Town of Three Hills	52,000	52,000
Town of Trochu	54,111	53,050
Village of Acme	46,371	45,462
Village of Carbon	45,408	44,518
Village of Linden	49,142	48,179

Kneehill County is part of a Recreation Agreement with the following Municipalities to provide funding of recreation programs and facilities in the County for 2021 inclusive, the total commitment is as follows:

	2024 (\$)	2023 (\$)
Town of Three Hills	120,000	120,000
Town of Trochu	54,000	53,000
Village of Acme	37,500	37,500
Village of Carbon	37,500	37,500
Village of Linden	40,000	40,000

Kneehill County
Notes to Financial Statements

December 31, 2023

23. Funds Held in Trust

The County holds assets for the benefit of and stand in fiduciary relationship to the beneficiaries. The following trust funds and assets are excluded from the County's financial statements:

	<u>2023</u>	<u>2022</u>
Kneehill Regional Family & Community Support Services	\$ 301,360	\$ 310,870
Doctors Recruitment	79,586	-
Joint Community Summit	55,275	-
	<u>\$ 436,221</u>	<u>\$ 310,870</u>

Kneehill County
Notes to Financial Statements

December 31, 2023

24. Budget

The budget adopted by Council on March 28, 2023, was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to fund current year operation and capital activities. In addition, the budget expensed all tangible capital asset expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget adopted by Council on March 28, 2023, with adjustments as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Revenues	\$ 26,379,837	-	26,379,837	\$ 31,323,308
Government transfers for capital	3,200,000	-	3,200,000	2,621,390
Total revenues	29,579,837	-	29,579,837	33,944,698
Legislative	1,120,602	-	1,120,602	1,069,908
Administration	4,202,462	174,960	4,377,422	4,008,931
Protective services	2,206,271	405,696	2,611,967	2,274,875
Transportation	6,867,931	4,106,771	10,974,702	12,779,808
Water and Wastewater	2,204,864	947,834	3,152,698	3,157,321
Waste management	593,897	-	593,897	558,958
Planning and development	588,158	-	588,158	608,385
Parks, recreation and culture	722,153	241,779	963,932	912,483
Public health and welfare	109,966	98,153	208,119	187,118
Economic and agricultural development services	1,045,896	60,767	1,106,663	949,844
Total Expenditures	19,662,200	6,035,960	25,698,160	26,507,631
Excess of revenues over expenditures	9,917,637	(6,035,960)	3,881,677	\$ 7,437,067
<u>Reconciling:</u>				
Proceeds on disposal of capital	100,000	-	100,000	
Capital expenditures	(10,394,353)	-	(10,394,353)	
Funded from reserves	8,532,460	-	8,532,460	
Inter-fund transfers	(8,155,744)	-	(8,155,744)	
	-	(6,035,960)	(6,035,960)	
<u>Add back non cash items:</u>				
Amortization	-	6,035,960	6,035,960	
Net Revenue over Expenses	\$ -	-	-	-

December 31, 2023

25. Segmented Information

Situated in the heart of central Alberta, Kneehill County is a progressive rural municipality comprised of approximately 815,000 acres of land and 2,000 kilometres of developed roads. Agriculture remains the backbone of the local economy, complemented by a strong oil and gas industry. Kneehill County is first and foremost a rural community that values safety and good government for their citizens. Responsible development is encouraged that supports our resource-based economy, while at the same time investing in and enhancing infrastructure and services to citizens. Our municipality continues to promote environmental responsibility, prosperity, and positive relationships with citizens, private sector and government partners.

A wide range of services are provided by departments and for management purposes, their operations and activities are organized and reported by fund. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Economic/Agricultural Development

The Agriculture Services Department focuses on the need to maintain agricultural production and profitability with an emphasis on helping farmers help themselves. It involves the participation of ratepayers and the cooperation of the Alberta Agriculture Food and Rural Development. The key priorities and goals of the department are to advise landowners concerning proper land utilization with a view of improving their economic well being. Priorities include advising landowners of effective methods to control weeds, diseases, insects and predators along with the prevention of soil and water degradation.

General Government

The General Government Department focuses on the delivery of quality services to customers at a reasonable cost. Along with meeting all of the financial reporting requirements, this department is also instrumental in ensuring legislative requirements are met associated with assessment and taxation. Additional support services initiated by this department include GIS, Records Management, Information Technology and Human Resources. The goal of the Administration team is the delivery of customer service in a friendly, courteous and helpful manner guided by integrity and fairness. The amounts detailed in the report below are comprised of combined figures from two departments: the Legislative department and the Administration and Assessment department.

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25. Segmented Information (continued)

Protective Services

Kneehill County's Protective Services section includes that of both Fire Services and Enforcement (Peace Officer) Services. Fire Services provides emergency fire protection and preventative services that mitigate loss of life and property with professionally trained volunteers and modern response equipment. Kneehill County support operating contracts with each of the six urban fire departments in addition to major contributions emergency response vehicles.

Emergency preparedness planning is also led by Kneehill County through the implementation of a regional with all urban centres within our boundaries.

Kneehill County identified a need for protection of municipal infrastructure and the need to enhance public safety. Our Peace Officers enhance some services provided by the local RCMP in addition to the protection of municipal infrastructure and enforcement of municipal bylaws. Enforcement assistance is also provided to other County departments such as Planning and Operations.

Planning and Development

The Planning and Development department promotes the incorporation of progressive planning and development practices into the organizations daily operations, along with orderly development and land use practices benefiting residents and minimizing conflicting uses. These practices centre around environmental stewardship, the notion of shared responsibilities in a global community, quality, livable communities and public participation. Recent initiatives of the department include the development of Inter-municipal Development Plans with neighbouring municipalities, an Environmentally Significant Areas Assessment and an Integrated Community Sustainability Plan. Long-term planning is supported by the Municipal Development Plan and Land Use Bylaw which reflect the vision and expectations of County residents.

Transportation

The Transportation department oversees many responsibilities including that of construction, maintenance and dust control of roads. Kneehill County has over 200 bridge crossing sites that are also maintained by this department. The oil and gas sector along with the development of large feedlots and new grain elevators have had significant impacts on the growth of the County and the resulting effects on our transportation corridors. In addition to the rural transportation routes, the Transportation department also provides services in five major hamlets located within our boundaries.

December 31, 2023

25. Segmented Information (continued)

Water, Wastewater and Waste Managements

Major infrastructure projects have taken place under the direction of Council in the area of potable water distribution. As a member of the Aqua 7 Regional Water Services Commission, the County has diligently worked to bring water to areas of the County where safe potable water is not available through the traditional well systems. Major completion of these distribution lines were completed in 2012. Other water distribution systems located throughout the County are also part of this operation. The wastewater needs of our local hamlets are also met by this department. As a member of the Drumheller and District Solid Water management Association, various transfer sites provide for the collection and disbursement of solid waste.

Expansion to handle various recyclables at these stations along with initiatives in the areas of agricultural plastic recycling have also been facilitated through this relationship.

Parks, Recreation and Culture

Under the direction of the Transportation department, the County is responsible for the maintenance and operation of various municipal parks and campgrounds. Enhancements over the past several years have increased the level of services available at various locations. A Recreation Master Plan completed several years ago was the basis for the development of both major annual operating and capital contributions towards the various recreational facilities (arenas, swimming pools) located within our urban centres in Kneehill County.

Public Health and Welfare

Kneehill County has taken on the financial responsibility for the facility costs of the Kneehill Regional Medical Centre. In addition, the County controls operating expenses of 17 cemeteries, including the ground maintenance activities as provided within the Cemeteries Act, Provincial Statutes and County Policies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In measuring and reporting segment revenue from transactions with other segments, inter-segment transfers have been eliminated. The revenues and expenses that are directly attributable to a particular segment are allocated to that segment. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Kneehill County
Notes to Financial Statements

December 31, 2023

25. Segmented Information (continued)

For the year ended December 31	Protective Services	Economic/ Agricultural Development	Transportation Services	Environmental Services	Planning and Development	Parks, Recreation and Culture	Public Health and Welfare	General Government	2023 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	24,573,268	\$ 24,573,268
Government transfers for operating	-	216,247	203,137	-	-	-	-	290,426	709,810
Government transfers for capital	-	-	58,635	-	-	-	-	2,562,755	2,621,390
Sales and user fees	64,257	23,103	332,013	1,341,834	123,544	93,686	11,825	20,380	2,010,642
Sales to other governments	21,631	-	-	88,737	-	-	-	2,388	112,756
Investment income	-	-	-	-	-	-	-	3,126,948	3,126,948
Fines and costs	5,044	-	-	7,745	-	-	-	132,696	145,485
Rentals	22,422	-	19,722	-	-	-	90,000	-	132,144
Local improvement tax	-	-	-	322,495	-	-	-	-	322,495
Other	4,191	-	139,784	5,570	(30)	-	-	40,245	189,760
	<u>117,545</u>	<u>239,350</u>	<u>753,291</u>	<u>1,766,381</u>	<u>123,514</u>	<u>93,686</u>	<u>101,825</u>	<u>30,749,106</u>	<u>33,944,698</u>
Expenses									
Salaries and wages	834,489	328,618	3,800,118	963,883	502,456	317,606	53,096	2,399,713	9,199,979
Contracted and general services	200,261	293,174	2,782,313	416,452	105,403	130,292	26,394	1,421,527	5,375,816
Materials, goods and utilities	247,643	267,285	2,090,606	1,337,388	526	100,123	9,476	808,829	4,861,876
Transfer to local agencies	586,786	-	-	-	-	68,051	-	65,681	720,518
Transfers to individuals and organizations	-	-	-	50,722	-	54,630	-	5,000	110,352
Operating bank fees	-	-	-	-	-	-	-	17,565	17,565
Amortization	405,696	60,767	4,106,771	947,834	-	241,779	98,153	174,960	6,035,960
Accretion expense	-	-	-	-	-	-	-	185,565	185,565
	<u>2,274,875</u>	<u>949,844</u>	<u>12,779,808</u>	<u>3,716,279</u>	<u>608,385</u>	<u>912,481</u>	<u>187,119</u>	<u>5,078,840</u>	<u>26,507,631</u>
Net surplus (deficit)	\$ (2,157,330)	\$ (710,494)	\$ (12,026,517)	\$ (1,949,898)	\$ (484,871)	\$ (818,795)	\$ (85,294)	\$ 25,670,266	\$ 7,437,067

Kneehill County
Notes to Financial Statements

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25. Segmented Information (continued)

For the year ended December 31	Protective Services	Agricultural Services	Transportation Services	Environmental Services	Planning and Development	Parks and Recreation	Public Health and Welfare	General Government	2022 Total
Revenue									
Taxation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,082,801	\$ 24,082,801
Government transfers for operating	30,136	177,827	-	-	-	-	-	145,213	353,176
Government transfers for capital	-	-	66,382	-	-	-	-	744,360	810,742
Sales and user fees	53,477	27,229	364,682	1,292,084	134,206	92,245	8,800	19,779	1,992,502
Sales to other governments	25,833	-	-	84,012	-	-	-	2,341	112,186
Investment income	-	-	-	-	-	-	-	1,251,242	1,251,242
Fines and costs	-	-	-	6,218	-	-	-	1,148,256	1,154,474
Rentals	23,208	-	26,392	-	-	-	90,000	-	139,600
Local improvement tax	-	-	-	328,254	-	-	-	-	328,254
Other	2,610	-	79,616	6,570	-	-	-	571,329	660,125
Fines and costs	5,752	-	-	-	-	-	-	-	5,752
	<u>141,016</u>	<u>205,056</u>	<u>537,072</u>	<u>1,717,138</u>	<u>134,206</u>	<u>92,245</u>	<u>98,800</u>	<u>27,965,321</u>	<u>30,890,854</u>
Expenses									
Salaries and wages	778,906	339,770	3,467,750	1,027,509	470,045	304,323	47,698	2,143,579	8,579,580
Contracted and general services	151,125	227,317	2,008,426	323,927	77,254	259,411	32,775	2,010,926	5,091,161
Materials, goods and utilities	294,283	81,469	1,927,513	1,218,379	310	281,657	12,691	787,575	4,603,877
Transfer to local agencies	543,914	-	-	-	-	58,264	-	63,475	665,653
Transfers to individuals and organizations	-	-	-	50,722	-	54,312	-	-	105,034
Operating bank fees	-	-	-	-	-	-	-	14,095	14,095
Amortization	408,394	68,400	4,102,078	975,816	-	261,712	98,153	176,159	6,090,712
Other	-	-	-	-	-	-	-	-	-
Accretion expense	-	-	-	-	-	-	-	180,511	180,511
	<u>2,176,622</u>	<u>716,956</u>	<u>11,505,767</u>	<u>3,596,353</u>	<u>547,609</u>	<u>1,219,679</u>	<u>191,317</u>	<u>5,376,320</u>	<u>25,330,623</u>
Net surplus (deficit)	\$ (2,035,606)	\$ (511,900)	\$ (10,968,695)	\$ (1,879,215)	\$ (413,403)	\$ (1,127,434)	\$ (92,517)	\$ 22,589,001	\$ 5,560,232

December 31, 2023

26. Financial Instruments

The County is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments. This note describes the County's objectives, policies, and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these financial statements.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The County is exposed to credit risk through its cash, accounts receivable, and investments.

The County manages its credit risk by credit approval process and holding cash at federally regulated chartered banks and cash accounts insured up to \$100,000. The County measures its exposure to credit risk based on historical experience regarding collections. The maximum exposure to credit risk at the financial statement date is the carrying value of its cash and accounts receivable as outlined in Note 2. Accounts receivable arise primarily as a result of sales receivable. Based on this knowledge, credit risk of cash and accounts receivable are assessed as low.

The County manages exposure to credit risk for portfolio investments by ensuring adequate diversification and by maintaining its investments are in compliance with County Investment Regulations. As a result, the County has reduced exposure to market or value risk. The maximum exposure to credit risk on portfolio investments is outlined in Note 3.

Liquidity risk

Liquidity risk is the risk that the County will encounter difficulty in meeting obligations associated with financial liabilities. The County is exposed to liquidity risk through its accounts payable, long-term debt, and investments.

The County manages this risk by maintaining a balance of short term or highly liquid investments and staggers maturity dates of investments for cash flow needs. Also to help manage the risk, the County has in place a planning, budgeting and forecasting process to help determine the funds required to support the normal operating requirements. The County measures its exposure to liquidity risk based on extensive budgeting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The County is exposed to interest rate risk through its value of portfolio investments.

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27. Comparative Figures

Wherever necessary, comparative figures have been reclassified to conform with current year financial statement presentation.

28. Approval of Financial Statements

Council and Management approved these financial statements.

Drafts for discussion purposes only