Kneehill County

Financial Statements

For the year ended December 31, 2024

Kneehill County

Financial Statements
For the year ended December 31, 2024

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Independent Auditor's Report

To the Reeve and Members of Council of Kneehill County:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Kneehill County (the "County"), which comprise the statement of financial position as at December 31, 2024, and the statements of operationscash flows, and changes in net financial assetsfor 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 County as at December 31, 2024, and the results of its consoldiated operations, its remeasurement gains and losses, changes in its net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian 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 County 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 3 to finanical statements, which explains that certain comparative information presented for the year ended December 31, 2023 has been restated. Our opinion is not modified in respect to this matter.

Other Matter

The financial statement for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on April 26, 2024.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, 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 financial statements, management is responsible for assessing the County'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 County or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the County'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 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 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 County'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 County'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 County 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 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.

Report on Other Legal and Regulatory Requirements

Debt Limit Regulation

In accordance with Alberta regulation 255/2000, we confirm that the County is in compliance with the Debt Limit Regulation. A detailed account of the County's debt limit can be found in Note 22.

Supplementary Accounting Principles and Standards Regulation

In accordance with Alberta regulation 313/2000, we confirm that the County is in compliance with the Supplementary Accounting Principles and Standards Regulation and note the information required can be found in Note 21.

Lacombe, Alberta

April 22, 2025 Chartered Professional Accountants

Kneehill County

Statement of Financial Position

December 31	2024	2023 Restated (note 3)
Financial assets		
Cash and cash equivalents (note 4)	**$ 22,175,006**	$ 21,733,613
Investments (note 5)	**54,465,926**	51,511,836
Taxes receivable (note 6)	**2,585,416**	1,295,534
Accounts receivable (note 7)	**1,604,475**	1,712,656
Land held for resale	**75,899**	75,899
	$ 80,906,722	$ 76,329,538
Liabilities		
Accounts payable and accrued liabilities	**1,692,891**	1,903,674
Employee benefit obligation (note 8)	**692,583**	786,437
Deposit liabilities	**115,000**	110,000
Deferred revenue (note 9)	**178,646**	235,453
Asset retirement obligations (note 10)	**6,957,187**	6,812,895
Liability for contaminated sites (note 11)	**441,767**	428,907
	$ 10,078,074	$ 10,277,366
Net financial assets	**$ 70,828,648**	$ 66,052,172
Non-financial assets		
Tangible capital assets (note 12)	**113,832,902**	113,990,731
Inventory for consumption (note 13)	**7,444,324**	7,645,837
Prepaid expenses	**517,826**	319,395
	$ 121,795,052	$ 121,955,963
Accumulated surplus (note 15)	**$ 192,623,700**	$ 188,008,135

Debt limits (note 22)
Contingencies (note 23)
Commitments (note 24)

The accompanying notes are an integral part of these financial statements

Kneehill County
Statement of Operations

For the year ended December 31	Budget 2024 (note 26)	**2024**	2023
Revenue			
Net municipal taxes (note 17)	$ 25,739,297	**$ 24,867,757**	$ 24,573,268
Government transfers for operating (note 18)	506,647	**560,994**	709,810
Sales and user fees	1,831,844	**1,935,193**	2,010,642
Rental revenue	140,700	**140,873**	132,144
Investment income	766,784	**3,714,740**	3,126,948
Penalties and costs on taxes	83,500	**103,403**	140,441
Fines and costs	13,000	**4,943**	5,044
Other	86,100	**202,848**	182,514
Local improvement tax	235,323	**273,766**	322,495
Sales to other governments	98,000	**111,277**	112,755
Gain on disposal of assets	100,000	**345,248**	7,247
	29,601,195	**32,261,042**	31,323,308
Expenditures (note 19)			
Legislative	1,157,431	**1,236,666**	1,069,908
Administration and assessment	4,961,578	**4,556,599**	4,008,931
Protective services	2,751,884	**2,606,670**	2,274,875
Transportation	13,565,931	**12,710,484**	12,779,808
Water and wastewater	3,388,743	**3,331,375**	3,157,321
Waste management	598,809	**651,362**	558,958
Public health and welfare	203,613	**181,216**	187,118
Planning and development	616,060	**597,894**	608,385
Economic / agricultural development	1,455,388	**1,261,160**	949,844
Parks, recreation and culture	1,198,156	**1,059,391**	912,483
	29,897,593	**28,192,817**	26,507,631
Excess (deficiency) of revenue over expenditures - before other	(296,398)	**4,068,225**	4,815,677
Other			
Government transfers for capital (note 18)	-	**547,340**	2,621,390
Excess (deficiency) of revenue over expenditures	(296,398)	**4,615,565**	7,437,067
Accumulated surplus, beginning of year	188,008,135	**188,008,135**	180,571,068
Accumulated surplus, end of year	$ 187,711,737	**$ 192,623,700**	$ 188,008,135

The accompanying notes are an integral part of these financial statements

Kneehill County

Statement of Cash Flows

For the year ended December 31		2024		2023 Restated (note 3)
Operating transactions				
Excess of revenue over expenditures	**$**	**4,615,565**	$	7,437,067
Items not involving cash				
Amortization of tangible capital assets		**6,045,891**		6,035,960
Net gain on disposal of tangible capital assets		**(345,248)**		(7,247)
Changes in non-cash operating balances				
Taxes receivable		**(1,289,882)**		(271,453)
Accounts receivable		**108,181**		(636,637)
Prepaid expenses		**(198,431)**		(46,588)
Accounts payable and accrued liabilities		**(210,783)**		145,207
Inventory for consumption		**201,513**		750,332
Employee benefit obligation		**(93,854)**		(48,640)
Deposit liabilities		**5,000**		-
Deferred revenue		**(56,807)**		(2,640,571)
Asset retirement obligations		**144,292**		185,565
Liability for contaminated sites		**12,860**		12,432
	$	**8,938,297**	$	10,915,427
Capital transactions				
Acquisition of tangible capital assets		**(6,576,509)**		(6,140,707)
Proceeds on sale of tangible capital assets		**1,033,695**		479,272
	$	**(5,542,814)**	$	(5,661,435)
Investing transactions				
Purchase of short-term investments	**$**	**(2,954,090)**	$	(9,613,425)
Net change in cash and cash equivalents		**441,393**		(4,359,433)
Cash and cash equivalents, beginning of year	**$**	**21,733,613**	$	26,093,046
Cash and cash equivalents, end of year	**$**	**22,175,006**	$	21,733,613

Kneehill County

Statement of Change in Net Financial Assets

For the year ended December 31	Budget 2024 (note 26)	**2024**	2023
Excess of revenue over expenditures	$ (296,398)	**$ 4,615,565**	$ 7,437,067
Acquisition of tangible capital assets	(9,416,315)	**(6,576,509)**	(6,140,707)
Amortization of tangible capital assets	6,045,891	**6,045,891**	6,035,960
Net gain on sale of tangible capital assets	-	**(345,248)**	(7,247)
Proceeds on sale of tangible capital assets	100,000	**1,033,695**	479,272
	(3,566,822)	**4,773,394**	7,804,345
Change in prepaid expenses	-	**(198,431)**	(46,588)
Purchase inventory for consumption	-	**(2,806,164)**	(3,888,862)
Use inventory for consumption	-	**3,007,677**	4,639,194
Net change in net financial assets	$ (3,566,822)	**$ 4,776,476**	$ 8,508,089
Net financial assets, beginning of year	$ 66,052,172	**$ 66,052,172**	$ 57,544,083
Net financial assets, end of year	$ 62,485,350	**$ 70,828,648**	$ 66,052,172

Kneehill County (the "County") is a municipality in the Province of Alberta and operates under the provisions of the *Municipal Government Act* (MGA), R.S.A., 2000, c. M-26, as amended.

1. Significant Accounting Policies

The financial statements are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), as established by the Public Sector Accounting Board (PSAB). The following is a summary of the significant accounting policies applied by the County:

a) Reporting Entity

The financial statements include the assets, liabilities, revenues, and expenses, as well as changes in financial position of the County. The reporting entity consists of municipal operations and funds under the control of the County.

Entities where the County has shared but non-controlling influence, such as those governed independently, are excluded from the financial statements. The County may administer funds on behalf of such entities; however, as it does not have control, the related assets are held in trust and are not included in the County's financial statements.

The schedule of taxes levied includes requisitions collected on behalf of education, health, social, and other external organizations that are not part of the County's reporting entity. These amounts are offset by corresponding payments, with any over- or under-levies accounted for in accordance with the County's significant accounting policies.

Interdepartmental and organizational transactions and balances are eliminated in the financial statements.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, which recognizes revenues as they are earned and measurable and expenses as they are incurred and measurable. Expenses are recorded when goods or services are received or when a legal obligation to pay arises.

Funds received from external parties, along with related earnings, that are restricted by agreement or legislation are recorded as deferred revenue until the related expenditures are incurred in accordance with the specified purpose.

Government transfers, contributions and other amounts received from third parties through legislation, regulation or agreement may only be used for specific programs, projects, or the acquisition of tangible capital assets. Similarly, certain user charges and fees are collected for services that have not yet been performed or goods that have not yet been received.

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

Note 1 Significant Accounting Policies (continued)

c) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Such estimates are based on management's best judgement, historical experience, and other relevant factors and may differ from actual results.

Significant areas subject to estimation include employee future benefit liabilities, amortization of tangible capital assets, asset retirement obligations, and the valuation of accounts receivable and accounts payable. In management's opinion, the estimates used in these financial statements are reasonable and are made in accordance with the County's accounting policies.

d) Cash and Cash Equivalents

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

e) Investments

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

f) Land Held for Resale

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

g) Requisition Over-levy and Under-levy

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.

If the actual levy exceeds the requisition, the over-levy is accrued as a liability and as a reduction in property tax revenue. Where the actual levy is less than the requisition amount, 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 over-levies or under-levies of the prior year.

Note 1 Significant Accounting Policies (continued)

h) 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 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 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 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.

i) Contaminated Sites Liability

A liability for remediation of a contaminated site is recognized when contamination exceeds an environmental standard, the County is directly responsible or accepts responsibility, and management can reasonably estimate the cost of remediation, including post-remediation activities such as operation, maintenance, and monitoring. The liability is recorded net of any expected recoveries.

j) Revenue Recognition

Revenue from transactions without performance obligations is recognized when the County 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 obligations are satisfied. User fees are recognized over the period of use, sales of goods are recognized upon delivery, and licenses and permits are recognized as revenue at issuance or over the period of the related obligation.

k) Tax Revenues

Tax revenues are recognized when authorized by bylaw, and the taxable event has occurred. Requisitions operate as a flow-through and are excluded from municipal revenue.

Note 1 Significant Accounting Policies (continued)

l) Government Transfers

Government transfers are recognized as revenue when authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made. Transfers are not the result of an exchange transaction and are not expected to be repaid or provided a direct financial return.

m) 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 specific purpose.

n) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for the 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 and the annual surplus provide the change in net financial assets for the year.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital asset, including transportation costs, installation costs, design and engineering fees, legal fees, and site preparation costs. 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 and equipment	5 to 45 years
Vehicles	5 to 20 years

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

ii. Contributions of Tangible Capital Assets

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

Note 1 Significant Accounting Policies (continued)

iii. Leases

Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of the tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with the 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.

iv. Inventory for Consumption

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

o) 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. Since the County does not hold financial instruments requiring remeasurement at fair value at each reporting date, a statement of remeasurement gains and losses is not presented. 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 the 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 extend received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed 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.

Note 1 Significant Accounting Policies (continued)

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.

p) Pension Expenditure

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

q) Future Changes in Accounting Standards

The Public Sector Accounting Board has approved the following accounting standards and conceptual framework, which are effective for fiscal years starting on or after April 1, 2026:

The Conceptual Framework for Financial Reporting in the Public Sector

The Conceptual Framework is the foundation for public sector financial reporting standards. It replaces the conceptual aspects of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

PS 1202 Financial Statement Presentation

This standard sets out general and specific requirements for the presentation of information in general-purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

The County is currently assessing the impact of the new conceptual framework and standard, and the extent of the impact of their adoption on the financial statements has not yet been determined.

2. Adoption of New Accounting Standard

Effective January 1, 2024, the County adopted the following accounting standards:

PS 3400: Revenue

This standard provides guidance on how to account for and report on revenue, specifically, the recognition, measurement and reporting of revenues that arise from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payer.

PS 3160: Public Private Partnerships

This standard provides guidance on how to account for public private partnerships between public and private sector entities, where the public sector entity procures infrastructure using a private sector partner. The adoption does not have an effect on the County's financial statements as the County does not have public private partnerships.

The County adopted these standards on a prospective basis, and as a result the 2023 comparatives are not restated. There were no material changes as a result of adopting these standards.

3. Prior Period Adjustment

During the year, the County determined that certain government transfers had been recorded as accounts receivable and deferred revenue in the prior year without fully meeting the recognition criteria under PS 3410 – Government Transfers. As a result, the amounts were adjusted to reflect the appropriate accounting treatment.

The impact of this adjustment on the December 31, 2023 financial statements is as follows:

	2023 as Reported	Adjustment	2023 Restated
Statement of Financial Position:			
Accounts Receivable	$ 5,979,653	(4,266,997)	$ 1,712,656
Deferred Revenue	$ 4,502,450	(4,266,997)	$ 235,453

4. Cash and Cash Equivalents

		2024		2023
Current account	**$**	**22,175,006**	$	21,733,613

The County has an undrawn $2,500,000 line of credit 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.

		2024		2023
Municipal Sustainability Initiative - Capital	**$**	**169,677**	$	215,453
Other		**115,000**		110,000
Rural Economic Development		**3,290**		-
Strategic Transportation Infrastructure Program		**-**		20,000
Alberta Community Partnership - Municipal Internship		**5,679**		-
	$	**293,646**	$	345,453

5. Investments

		2024		2023
Short-term notes and deposits	**$**	**54,465,926**	$	51,511,836

Short-term notes and deposits consist of funds held in Guaranteed Investment Certificates (GICs) and high-interest notice deposit accounts. The deposit accounts earn interest at rates ranging from Prime minus 1.65% to Prime minus 1.55%, while GICs have fixed rates ranging from 4.4% to 6.05%, with maturity dates between July 2025 and January 2026.

6. Taxes Receivable

		2024		2023
Current taxes and grants in place	**$**	**2,551,456**	$	1,198,577
Non-current taxes and grants in place		**308,700**		229,377
Less: Allowance for doubtful accounts		**(274,740)**		(132,420)
	$	**2,585,416**	$	1,295,534

7. Accounts Receivable

		2024		2023 Restated
Trade receivables	**$**	**1,350,287**	$	1,528,431
GST receivable		**254,188**		184,225
	$	**1,604,475**	$	1,712,656

8. Employee Benefit Obligation

		2024		2023
Accrued early retirement program	**$**	**24,453**	$	82,527
Accrued vacation pay		**278,748**		239,054
Accrued sick leave benefit		**389,382**		464,856
	$	**692,583**	$	786,437

The vacation and sick benefits liability is comprised of vacation and sick day credits that employees have earned as of December 31 and are deferring for future use. The early retirement program provided eligible employees with a percentage of their salary as an initiative to retire before the age of 65. Eligibility was limited to employees hired before January 1, 2007, who had reached at least 55 years of age. As of December 31, 2024, all eligible employees have retired. Accordingly, the remaining expected cash outflows related to this program total $24,453, which will be fully expended in 2025.

<u>Sick Leave Benefits</u>

The County updated its 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 workdays. 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 promotions.

- 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 a 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 could 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 the amount of sick time was recorded as of 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.

9. Deferred Revenue

	Opening balance	Contributions received	Revenue recognized	**2024**	2023 Restated
MSI Capital	215,453	-	(45,776)	**$ 169,677**	$ 215,453
STIP Bridges	20,000	450,000	(470,000)	**-**	20,000
RED	-	32,000	(28,711)	**3,290**	-
ACP	-	60,000	(54,321)	**5,679**	-
	235,453	542,000	(598,808)	**$ 178,646**	$ 235,453

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is restricted by agreement. These funds are recognized as revenue in the period they are used for the purpose specified.

<u>Municipal Sustainability Initiative – Capital (MSI)</u>

The Government of Alberta provides conditional funding to support various capital expenditures in the County, as outlined in the funding agreement.

<u>Strategic Transportation Infrastructure Program (STIP) – Bridges</u>

The Government of Alberta provides conditional funding for developing and maintaining local transportation infrastructure, restricted to eligible expenditures under the funding agreement.

<u>Rural Economic Development (RED) Grant</u>

The Government of Alberta provides conditional funding to support economic growth and diversification in rural communities, restricted to eligible expenditures per the funding agreement and program guidelines.

<u>Alberta Community Partnership (ACP) – Municipal Internship</u>

The Government of Alberta provides conditional funding to support municipal capacity building and professional development, restricted to eligible expenditures under the funding agreement.

10. Asset Retirement Obligations

<u>Landfill</u>

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 groundwater and leachates, and ongoing environmental monitoring, site inspection, and maintenance. The landfill's estimated liability is $239,076 (2023 - $232,117), which includes closure and post-closure costs. The existing landfill site is expected to reach capacity in (approximately) 2028.

Note 10 Asset Retirement Obligations (continued)

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 is $6,718,111 (2023 - $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 the County use the cost escalation method using an inflation rate of 3.0% for 2024 (2023 – 2.8%). The County has not designated assets for settling the abatement activities.

	2024	2023
Balance, beginning of the year	**$ 6,812,895**	$ 6,627,330
Accretion expense	**144,292**	185,565
Estimated total liability	**$ 6,957,187**	$ 6,812,895

11. Liability for Contaminated Sites

The County has identified one site that meets the criteria under this standard. This site was acquired through the tax recovery process, and the contamination is primarily associated with an underground storage tank and potential additional contamination from a former bulk fuel storage facility.

The estimated cost to remediate the site is $441,767 (2023 - $428,907). This estimate is based on the use of soil vapour extraction and air-sparging technology. The estimated costs include the installation of remediation equipment, and the operation of the equipment over a three-year period. The total costs have not been discounted to reflect the time value of money.

12. Tangible Capital Assets

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	2024 **Total**
Cost, beginning 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**
Additions	-	33,286	24,223	-	957,851	4,024,483	1,536,666	**6,576,509**
Changes in work in progress	-	80,704	-	713,818	-	849,632	(1,644,154)	**-**
Write-downs & disposals	-	(85,791)	-	(63,200)	(972,704)	(869,509)	-	**(1,991,204)**
Cost, end of year	$ 2,472,888	$ 3,720,613	$ 21,153,981	$181,814,959	$ 12,238,197	$ 15,954,934	$ 121,532	**$ 237,477,104**
Accumulated amortization, beginning of year	-	2,026,167	6,632,954	98,540,689	5,501,284	6,199,974	-	**118,901,068**
Amortization	-	144,975	507,969	3,681,349	698,329	1,013,269	-	**6,045,891**
Write-downs & disposals	-	(34,317)	-	(63,201)	(654,713)	(550,526)	-	**(1,302,757)**
Accumulated amortization, end of year	$ -	$ 2,136,825	$ 7,140,923	$102,158,837	$ 5,544,900	$ 6,662,717	$ -	**$ 123,644,202**
Net carrying amount, end of year	$ 2,472,888	$ 1,583,788	$ 14,013,058	$ 79,656,122	$ 6,693,297	$ 9,292,217	$ 121,532	**$ 113,832,902**

Note 12 Tangible Capital Assets (continued)

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Work in Progress	2023 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
Changes 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

13. Inventory for Consumption

	2024	2023
Gravel	**$ 6,724,341**	$ 7,086,090
Other transportation amounts	**591,645**	392,075
General department	**128,338**	167,672
	$ 7,444,324	$ 7,645,837

14. Equity in Tangible Capital Assets

	2024	2023
Tangible capital assets	**$ 237,477,104**	$ 232,891,799
Accumulated amortization	**(123,644,202)**	(118,901,068)
Asset retirement obligation	**(6,957,187)**	(6,812,895)
	$ 106,875,715	$ 107,177,836

15. Accumulated Surplus

	2024	2023
Equity in tangible capital assets	$ **106,875,715**	$ 107,177,836
Equity in other non-financial assets	**7,962,150**	7,965,231
Unrestricted surplus	**4,415,489**	4,846,967
	119,253,354	119,990,034
Reserves		
Operating reserves:		
Contingency	**1,788,972**	2,123,754
Information technology	**237,143**	260,947
Gravel	**2,699,528**	2,349,528
Infrastructure	**4,745,637**	2,700,000
Planning	**160,726**	154,514
Parks	**999,381**	802,999
Transitional funds	**536,112**	636,112
Revenue stabilization reserve	**7,311,476**	8,525,394
	18,478,975	17,553,248
Capital reserves:		
Capital equipment replacement	**8,678,310**	9,915,101
Buildings	**2,991,550**	2,417,460
Bridges	**2,628,755**	1,401,737
Roads	**22,943,339**	20,347,099
Water	**5,686,605**	4,570,644
Water service area	**5,870,638**	5,870,638
Environmental	**1,950,541**	1,950,541
Emergency disaster	**836,024**	686,024
Hamlet infrastructure	**3,305,609**	3,305,609
	54,891,371	50,464,853
Total reserves	**73,370,346**	68,018,101
	$ **192,623,700**	$ 188,008,135

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

16. Change in Accumulated Surplus

	Unrestricted surplus	Reserves	Equity in tangible capital assets	Equity in other non-financial assets	**2024**	2023
Balance, beginning of year	$ 4,846,967	$ 68,018,101	$ 107,177,836	$ 7,965,231	**$188,008,135**	$180,571,068
Excess of revenue over expenses	4,618,646	-	-	(3,081)	**4,615,565**	7,437,067
Net operating transfers to restricted surplus	(5,352,245)	5,352,245	-	-	**-**	-
Accretion expense	144,292	-	(144,292)	-	**-**	-
Acquisition of capital	(6,576,509)	-	6,576,509	-	**-**	-
Disposals and write-down of assets	688,447	-	(688,447)	-	**-**	-
Amortization	6,045,891	-	(6,045,891)	-	**-**	-
Change in accumulated surplus	$ (431,478)	$ 5,352,245	$ (302,121)	$ (3,081)	**$ 4,615,565**	$ 7,437,067
Balance, end of year	$ 4,415,489	$ 73,370,346	$ 106,875,715	$ 7,962,150	**$192,623,700**	$188,008,135

17. Net Municipal Taxes

	Budget 2024	**2024**	2023
Taxation			
Farmland	$ 2,367,136	**$ 2,367,133**	$ 2,014,058
Residential	1,972,120	**1,973,309**	1,895,509
Commercial	980,808	**978,605**	995,624
Linear property	20,652,283	**19,349,463**	18,989,528
Industrial	6,026,536	**6,027,622**	5,954,309
Minimum tax	79,033	**78,694**	60,464
Grants in lieu	1,359	**1,359**	1,363
Recreation levy	58,264	**63,882**	68,051
	$ 32,137,539	**$ 30,840,067**	$ 29,978,906
Requisitions			
Alberta School Foundation Fund	6,213,183	**5,567,567**	5,229,893
Kneehill Foundation	84,113	**304,137**	83,013
Designated industrial property	100,946	**100,606**	92,732
	$ 6,398,242	**$ 5,972,310**	$ 5,405,638
Available for general municipal purposes	$ 25,739,297	**$ 24,867,757**	$ 24,573,268

18. Government Transfers

	Budget 2024	**2024**	2023
Operating			
Provincial government	506,647	**560,994**	709,810
Capital			
Provincial government	-	**547,340**	2,621,390
Total government transfers	$ 506,647	**$ 1,108,334**	$ 3,331,200

19. Expenses by Object

	Budget 2024	**2024**	2023
Salaries and wages	$ 10,516,141	**$ 10,609,947**	$ 9,193,498
Contracted and general services	6,410,661	**5,938,082**	5,536,214
Materials, goods, and utilities	5,288,279	**3,783,670**	4,134,361
Transfer to local agencies	851,616	**819,886**	720,518
Transfer to individuals and organizations	770,005	**837,339**	683,950
Operating bank fees	15,000	**13,710**	17,565
Amortization	6,045,891	**6,045,891**	6,035,960
Accretion expense	-	**144,292**	185,565
	$ 29,897,593	**$ 28,192,817**	$ 26,507,631

20. Municipal Employees Pension Plans

Local Authorities Pension Plan (LAPP)

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 approximately 304,451 people and 444 employers. The plan is financed through contributions from both employers and employees, as well as investment earning generated by the LAPP Fund. LAPP provides defined pension benefits to its members, which are based on their length of service and salary.

The County contributes to the plan at a rate of 8.45% of pensionable earnings up to the Canada Pension Plan's Maximum Pensionable Earnings, and 11.65% for earnings exceeding that threshold. Employees contribute at a rate of 7.45% of pensionable earnings up to the Maximum Pensionable Earnings, and 10.65% for earnings above that threshold.

Contributions for the year were:

	2024	2023
Employer contributions	**$ 633,217**	$ 586,793
Employee contributions	**560,984**	534,727
	$ 1,194,201	$ 1,121,520

As LAPP is a multi-employer pension plan, these contributions represent the County's pension expense. No pension liability for this plan is recognized in the County's financial statements. The most recent actuarial valuation, as of December 31, 2023, indicated a surplus of $15.1 billion (2022 surplus - $12.7 billion) for basic pension benefits. The actuary does not allocate portions of the surplus or any unfunded liability to individual employers.

21. Salary and Benefits Disclosure

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

	Salary	Benefits & Allowances	Total 2024	Total 2023
Division 1 (1 person)	48,250	8,725	**56,975**	52,125
Division 2 (1 person)	43,400	8,425	**51,825**	48,388
Division 3 (1 person)	48,813	8,455	**57,268**	59,373
Division 4 (1 person)	56,075	8,575	**64,650**	54,238
Division 5 (1 person)	49,250	8,485	**57,735**	54,563
Division 6 (1 person)	50,063	8,635	**58,698**	55,050
Division 7 (1 person)	59,113	8,635	**67,748**	57,750
Chief Administrative Officer	226,733	55,562	**282,295**	274,286

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, vision coverage, professional memberships, tuition, travel, cell phone, car allowances, and long and short term disability plans.

$28,813 (2023 - $28,248) of the CAO salary cost is paid by Aqua 7 for the management contract.

22. 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 are to be disclosed as follows:

		2024		2023
Total debt limit	$	**48,391,563**	$	46,984,962
Total debt		**20,000,000**		20,000,000
Total debt limit available	$	**28,391,563**	$	26,984,962
Debt servicing limit		**8,065,261**		7,830,827
Total debt servicing limit available	$	**8,065,261**	$	7,830,827

The debt limit is calculated at 1.5 times the revenue of the County excluding transfers from governments of Alberta and Canada for the purposes of capital property (as defined in Alberta Regulation 255/2000) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitations requires approval from the Minister of Municipal Affairs. These thresholds serve as guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation 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 of $20,000,000 to the Town of Trochu to support the potential construction of the Trochu Seniors Supportive Living Facility Project. 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 raise funds through taxation to fulfill the terms of the loan. The County's commitment to enter into this guarantee is conditional on the Town securing firm financial capital grant commitments of at least $19,000,000 to undertake the project.

23. Contingencies

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

24. Commitments

The County has entered into agreements that result in financial commitments over multiple years. These commitments are categorized as follows:

Operating Leases - The County has lease agreements for fleet vehicles, which require scheduled payments over their terms.

Service Contracts - The County has commitments for municipal and professional services, including assessment services, enforcement services, and waste management.

Intermunicipal Agreements - The County has funding commitments for fire protection and recreation services under formal agreements with other municipalities.

The estimated aggregate amount payable for the unexpired terms of these contractual obligations is as follows:

	2024	2023
Operating Leases	**$ 220,397**	$ -
Service Contracts	**498,190**	435,985
Intermunicipal Agreements	**262,125**	536,154
	$ 980,712	$ 972,139

	Operating Leases	Service Contracts	Intermunicipal Agreements	**Total**
2025	$ 106,677	$ 450,970	$ 262,125	**$ 819,772**
2026	68,434	47,220	-	**115,654**
2027	30,191	-	-	**30,191**
2028	15,095	-	-	**15,095**
2029	-	-	-	**-**
Thereafter	**-**	-	**-**	**-**
Total as at December 31, 2024	**$ 220,397**	**$ 498,190**	**$ 262,125**	**$ 980,712**
Total as at December 31, 2023	$ -	$ 435,985	$ 536,154	$ 972,139

25. 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:

	2024	2023
Kneehill Regional Family & Community Support Services	**$ 283,843**	$ 301,360
Doctors Recruitment	**13,984**	79,586
Kneehill Regional Partnership	**61,040**	55,275
	$ 358,867	$ 436,221

26. Budget

The budget adopted by Council on December 12, 2023, was not prepared on a basis consistent with that used to report actual results in accordance with Public Sector Accounting Standards (PSAS). Specifically, the budget was prepared on a modified accrual basis, while PSAS requires a full accrual basis for financial reporting.

The budget anticipated the use of surpluses accumulated in previous years to fund current year operating and capital activities. Furthermore, the budget expensed all tangible capital asset expenditures in the year of acquisition, rather than recognizing amortization expense over the assets' useful lives as required by PSAS.

As a result, the budget figures presented in the statements of operations and changes in net financial assets reflect adjustments to align with PSAS, reconciling the original budget adopted by Council on December 12, 2023, as follows:

	Budget	Amortization Allocation	Budget per Financial Statements	Actual per Financial Statements
Revenues	29,601,195	-	29,601,195	32,261,042
Government transfers for capital	-	-	-	547,340
Total revenues	29,601,195	-	29,601,195	32,808,382
Expenditures				
Legislative	1,157,431	-	1,157,431	1,236,666
Administration and assessment	4,832,765	128,813	4,961,578	4,556,599
Protective services	2,329,931	421,953	2,751,884	2,606,670
Transportation	9,432,024	4,133,907	13,565,931	12,710,484
Water and wastewater	2,425,673	963,070	3,388,743	3,331,375
Waste management	598,809	-	598,809	651,362
Public health and welfare	105,460	98,153	203,613	181,216
Planning and development	616,060	-	616,060	597,894
Economic / agricultural development	1,394,621	60,767	1,455,388	1,261,160
Parks, recreation and culture	958,928	239,228	1,198,156	1,059,391
Total expenditures	23,851,702	6,045,891	29,897,593	28,192,817
Excess (deficiency) of revenues over expenditures	5,749,493	(6,045,891)	(296,398)	4,615,565
Reconciling:				
Proceeds on disposal of capital	100,000	-	100,000	
Capital expenditures	(9,416,315)	-	(9,416,315)	
Funded from reserves	10,467,163	-	10,467,163	
Inter-fund transfers	(6,900,341)	-	(6,900,341)	
	-	(6,045,891)	(6,045,891)	
Add back non-cash items:				
Amortization		6,045,891	6,045,891	

27. Segmented Information

The County provides a range of municipal services to support residents and businesses. For management and financial reporting purposes, these services are organized into functional segments, as outlined below.

The accounting policies for each segment align with those presented in Note 1 Significant Accounting Policies. Inter-segment transactions are eliminated, and revenues and expenses are allocated based on direct attribution or reasonable allocation methodologies. Taxation revenue has been allocated to general government except where specific tax revenues can be directly allocated to a service area.

Economic/Agricultural Development

The Economic Development Department supports business retention and expansion by connecting businesses with funding opportunities, regulatory guidance, and development initiatives that align with Council's Strategic Plan.

The Agricultural Services Department promotes responsible land use and sustainable agriculture, assisting landowners with weed, pest, and disease control, as well as soil and water conservation. These programs are delivered in collaboration with Alberta Agriculture, Food and Rural Development to support a resilient agricultural sector.

General Government

The general government segment includes legislative, and administrative and assessment services. Legislative services cover Council operations, governance, and records management, ensuring transparency and strategic decision-making. Administrative and assessment services support municipal operations through corporate administration, financial management, property assessment and taxation, communications, asset management, information technology, human resources, and geographical information systems (GIS).

Protective Services

The Protective Services Department oversees fire protection, emergency preparedness, and bylaw enforcement. Fire Services operate in partnership with five urban fire departments, while Peace Officers enforce municipal bylaws, protect infrastructure, and support other County departments.

Planning and Development

The Planning and Development Department administers land use planning and development processes, ensuring compliance with the Land Use Bylaw and Municipal Development Plan. It also assists developers with area structure plan requirements and promotes responsible growth within the County.

Note 27 Segmented Information (continued)

Transportation Services

The Transportation Department manages the construction and maintenance of roads and bridges, including dust control. The County maintains over 200 bridge crossings and ensures transportation infrastructure supports agricultural and industrial growth. Services are also provided to major hamlets within the County.

Environmental Services

The Environmental Services Department oversees water, wastewater, and solid waste management, ensuring compliance with provincial regulations. It operates and maintains water distribution and wastewater infrastructure, including multiple water systems, pump houses, lagoons, and transfer sites. The department also provides potable water services, maintains wastewater systems, and promotes safe and efficient waste disposal, including recycling initiatives. Additionally, it operates the Class III Landfill and is contracted to manage the Aqua 7 Regional Water Commission's infrastructure.

Parks, Recreation and Culture

The Parks Department is responsible for the maintenance and operation of municipal parks, campgrounds, and green spaces. It ensures these areas are well-maintained to support recreation, social connections, and outdoor enjoyment for residents and visitors. The County also provides operational and capital contributions to recreational facilities within urban centers.

Public Health and Welfare

The County provides financial support for the Kneehill Regional Medical Clinic and manages operational expenses for 17 cemeteries in accordance with legislation and County policies.

Note 27 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	**2024 Total**
Revenue									
Taxation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,867,757	**$ 24,867,757**
Government transfers for operating	-	216,247	-	-	-	-	-	344,747	**560,994**
Government transfers for capital	-	28,711	224,859	-	-	-	-	293,770	**547,340**
Sales and user fees	39,329	6,680	281,137	1,340,292	122,225	114,778	10,300	20,452	**1,935,193**
Sales to other governments	10,101	-	-	101,176	-	-	-	-	**111,277**
Investment income	-	-	-	-	-	-	-	3,714,740	**3,714,740**
Fines and costs	4,943	-	-	4,717	-	-	-	98,686	**108,346**
Rentals	23,691	-	27,182	-	-	-	90,000	-	**140,873**
Local improvement tax	-	-	-	273,766	-	-	-	-	**273,766**
Other	3,690	-	168,100	6,371	-	-	-	369,935	**548,096**
	81,754	251,638	701,278	1,726,322	122,225	114,778	100,300	29,710,087	**32,808,382**
Expenses									
Salaries and wages	886,640	575,095	4,201,701	1,078,793	521,774	405,479	49,228	2,891,237	**10,609,947**
Contracted and general services	399,572	430,481	2,510,505	606,957	75,945	203,852	22,200	1,688,570	**5,938,082**
Materials, goods, and utilities	89,234	187,317	1,864,371	1,283,195	175	93,093	11,635	254,650	**3,783,670**
Transfer to local agencies	686,951	-	-	-	-	63,882	-	69,053	**819,886**
Transfers to individuals and organizations	122,320	7,500	-	50,722	-	53,857	-	602,940	**837,339**
Operating bank fees	-	-	-	-	-	-	-	13,710	**13,710**
Amortization	421,953	60,767	4,133,907	963,070	-	239,228	98,153	128,813	**6,045,891**
Accretion expense	-	-	-	-	-	-	-	144,292	**144,292**
	2,606,670	1,261,160	12,710,484	3,982,737	597,894	1,059,391	181,216	5,793,265	**28,192,817**
Net surplus (deficit)	$ (2,524,916)	$ (1,009,522)	$ (12,009,206)	$ (2,256,415)	$ (475,669)	$ (944,613)	$ (80,916)	$ 23,916,822	**$ 4,615,565**

Note 27 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	64,601	23,103	332,013	1,341,490	123,544	93,686	11,825	20,380	**2,010,642**
Sales to other governments	21,631	-	-	88,736	-	-	-	2,388	**112,755**
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)	-	-	40,246	**189,761**
	117,889	239,350	753,291	1,766,036	123,514	93,686	101,825	30,749,107	**33,944,698**
Expenses									
Salaries and wages	832,461	322,641	3,800,118	963,883	499,715	317,607	53,095	2,403,978	**9,193,498**
Contracted and general services	304,437	310,115	2,750,509	482,322	108,144	131,547	27,066	1,422,074	**5,536,214**
Materials, goods, and utilities	79,397	253,321	2,122,410	1,271,518	526	98,869	8,804	299,516	**4,134,361**
Transfer to local agencies	586,786	-	-	-	-	68,051	-	65,681	**720,518**
Transfers to individuals and organizations	66,098	3,000	-	50,722	-	54,630	-	509,500	**683,950**
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**
	2,274,875	949,844	12,779,808	3,716,279	608,385	912,483	187,118	5,078,839	**26,507,631**
Net surplus (deficit)	$ (2,156,986)	$ (710,494)	$ (12,026,517)	$ (1,950,243)	$ (484,871)	$ (818,797)	$ (85,293)	$ 25,670,268	**$ 7,437,067**

28. Financial Instruments

The County is exposed to credit risk, liquidity risk, and interest rate risk from its financial instruments.

Credit risk

Credit risk is the risk of financial loss to the County if a counterparty fails to meet its financial obligations. The County is exposed to credit risk on its investments, taxes receivable, and trade and other receivables.

The County minimizes credit risk on investments by holding funds in guaranteed investment certificates (GICs) and high-interest savings or deposit accounts with federally regulated financial institutions. These investments are considered low risk due to their guaranteed nature and the creditworthiness of the issuing institutions.

Credit risk related to taxes and other receivables arises from the possibility that taxpayers or customers may experience financial difficulty and be unable to meet their obligations. However, the large number and diversity of taxpayers and customers help mitigate this risk. The County regularly monitors outstanding receivables and assesses credit exposure based on historical collection patterns.

A single vendor accounts for a significant portion of the County's tax receivables but is adhering to a payment plan with all scheduled payments met as of the financial statement preparation date. While this concentration poses credit risk, the County considers it low based on the vendor's payment history.

The County holds cash and deposits with federally regulated financial institutions, with balances insured up to $100,000 per account where applicable. Based on historical collection experience and the nature of its investments, the County assesses its overall credit risk as low.

Liquidity risk

Liquidity risk is the risk that the County may encounter difficulty meeting financial obligations. This risk arises from accounts payable and investments.

The County manages this risk by maintaining a balance of short-term or highly liquid investments and staggering maturity dates of investments to meet cash flow needs. Additionally, the County uses planning, budgeting, and forecasting to determine the funds required for 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 changes in market rates will affect investment income. As the County primarily invests in fixed-rate GICs and high-interest savings accounts, exposure to interest rate fluctuations is minimal. While future earnings may vary with changing rates, principal values remain protected.

29. Comparative Figures

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

30. Approval of Financial Statements

Council and Management approved these financial statements.

Kneehill County

2024 Audit Findings

Report to Council

December 31, 2024

Lindsey Bauman, CPA
T: 403.786.2410
E: lindsey.bauman@mnp.ca

Overview

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the financial statements of Kneehill County (the "Municipality") as at December 31, 2024 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

As auditors, we report to the members on the results of our examination of the financial statements of the Municipality as at and for the year ended December 31, 2024. The purpose of this Report is to assist you, as members of Council, in your review of the results of our audit.

This Report is intended solely for the information and use of Council and management and should not be distributed to or used by any other parties than these specified parties.

We appreciate having the opportunity to meet with you and to respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Engagement Status

We have substantially completed our audit of the financial statements of the Municipality which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedure[s]:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with Council;
- Council's review and approval of the financial statements.

No significant limitations were placed on the scope or timing of our audit.

Independent Auditor's Report

We expect to have the above procedures completed and to release our Independent Auditor's Report on April 22, 2025.

Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the members of the Municipality. A draft copy of our proposed Independent Auditor's Report has been included with this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

Audit Reporting Matters

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

Significant Audit, Accounting and Reporting Matters

Area	Comments
Changes from Audit Service Plan	There were no deviations from the Audit Service Plan previously presented to you
Final Materiality	Final materiality used for our audit was $1,500,000 for December 31, 2024, and $960,000 for December 31, 2023.
Identified or Suspected Fraud	Due to the inherent limitations of an audit and the nature of fraud, including attempts at concealment through forgery or collusion, an audit conducted in accordance with Canadian generally accepted auditing standards cannot be relied upon to detect fraud.
Identified or Suspected Non-Compliance with Laws and Regulations	Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the consolidated financial statements.
Matters Arising in Connection with Related Parties	No significant matters arose during the course of our audit in connection with related parties of the County.
Going Concern	No indicators that may cast doubt on the entities ability to continue as a going concern.
Auditor's Views of Significant Accounting Practices, Accounting Policies and Accounting Estimates	The application of Canadian public sector accounting standards allows and requires the Municipality to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.

Area		Comments
		As auditors, we are uniquely positioned to provide open and objective feedback regarding your Municipality's accounting practices, and have noted the following items during the course of our audit that we wish to bring to your attention. The accounting policies used by the Municipality are appropriate and have been consistently applied.
	Financial Statement Disclosures	The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.
	Significant Deficiencies in Internal Control	Our audit process focuses on understanding the controls utilized in management's reporting systems, including for estimates, to the extent necessary to identify overall and specific financial reporting risks. This risk assessment allows us to concentrate our audit procedures on high risk areas and, where possible, place reliance on controls within the financial reporting system to reduce the extent of our testing. It is important to note that our assessment was not, nor was it intended to be, sufficient to comment or conclude on the sufficiency of internal controls. We are required under Canadian generally accepted auditing standards to communicate all significant deficiencies identified during an audit to the County on a timely basis. However, we may not be aware of all significant deficiencies that do, in fact, exist. While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency, no significant deficiencies in internal control have come to our attention.
	Matters Arising From Discussions with Management	We would like to formally acknowledge the cooperation and assistance we received from the management and staff of the County. There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.

Significant Risk Areas and Responses

Significant Risk Area	Response and Conclusion
Management override of internal controls	To respond to the overall risk of material misstatement due to fraud regarding management's override of controls, we performed the following procedures: 1. Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements 2. Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, if applicable 3. Evaluate the rationale behind significant transactions that are not in the normal course of business and whether they have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. No issues found
Deferred revenue and restricted contributions Deferred revenue is complex in nature due to stipulations and recognition of revenue to match applicable expenditures. Contributions received are subject to restrictions imposed by the contributors and can only be recognized when expenditures related to the restricted use have been incurred. Risk of incorrect treatment or inaccurate adjustments with respect to applicable expenditures. Risk that government grant revenue and transfers are incorrectly recorded due to the complexity of the recognition.	We reviewed sample of grants assuming a high level of risk, for items received at year-end to ensure they are appropriately deferred if required. Additional testing completed on revenue to ensure its appropriately recorded as deferred versus revenue. Inquired with management on grants received in the year and process for recording deferred revenues. Financial statements in current year and prior year were restated to reflect the treatment of Government Transfers related to MSI, LGFF and CCBF funding not meeting the criteria of accounts receivable and deferred revenue. All other deferred revenue appropriately treated.

Other Areas

Area	Comments
Auditor Independence	We confirm to Council that we are independent of the Municipality. Our letter to Council discussing our independence is included as part of the additional materials attached to this report.

Area	Comments
Management Representations	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
Summary of Significant Differences	A few significant adjustments were proposed to management with respect to the December 31, 2024 financial statements. A summary of significant differences has been included with this report.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

encls

MNP LLP
Audit Program - Summary of Differences

Client: Kneehill County
Client #: 1110987
Year End: 31/12/2024

Date Imported: Mar 30 2025 - 12:49 PM

Adjusted Differences
Designed to pull all journal entries recorded in the CaseWare file which are classified as "Normal Adjusting" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss) DR (CR)						Adjustment to Balance Sheet Items DR (CR)								
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance	Push to Findings (Yes/No)
	Client adjustments DR (CR)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	

MNP LLP
Audit Program - Summary of Differences

Client: Kneehill County
Client #: 1110987
Year End: 31/12/2024

Date Imported: Mar 30 2025 -

Unadjusted Differences

Designed to pull all journal entries (with balances over De Minimis) recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental"

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss) DR (CR)						Adjustments to Balance Sheet Item DR (CR)							
Journal entry #	**Ref**	**Type and Cause of Difference**	**Factual/ Judgmental/ Possible (A)**	**Projected (B)**	**Likely Aggregate**	**Income Tax Effect**	**Net Income after tax**	**RM Gain (Loss)**	**Opening Equity**	**Current Assets**	**Other Assets**	**Current Liabilities**	**LT Liabilities**	**Other Equity**	**Closing Equity**	**Out of Balance**
SUD01	T.1UD	To reallocate land as not held for sale.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-75,898.78	75,898.78	0.00	0.00	0.00	0.00	0.00
	Closing equity differences		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-75,899**	**75,899**	**0**	**0**	**0**	**0**	**0**
	Uncorrected opening differences	Aggregate of uncorrected opening differences carried forward from the prior year engagement	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Current period differences DR		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-75,899**	**75,899**	**0**	**0**	**0**	**0**	
	Materiality		1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	
	Excess (shortfall)		**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,424,101**	**1,424,101**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	

MNP LLP
Audit Program - Summary of Differences

Client: Kneehill County
Client #: 1110987
Year End: 31/12/2024

Date Imported: Mar 30 2025 -

Insignificant Differences

Threshold of Clearly Trivial: 5% | 75,000

"Clearly trivial" is defined as an amount that would not need to be accumulated because the auditor/practitioner expects that the accumulation of such amounts clearly would not have a material effect on the financial statements.
Designed to pull all journal entries recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries AND determined to be UNDER the threshold for "clearly trivial"
The Clearly Trivial Threshold can be modified by selecting the De Minimis button at the top of the tab and selecting an appropriate threshold between 2-5%. Preparers should keep differences less than De Minimus in the back of their minds because aggregated with other differences, they may be material.

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss) DR (CR)						Adjustments to Balance Sheet Item DR (CR)							
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
	Aggregate of insignificant differences identified		0	0	0	0	0	0	0	0	0	0	0	0	0	0

Accumulated Unadjusted & Insignificant Differences

	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity
Accumulated unadjusted & insignificant differences	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-75,899**	**75,899**	**0**	**0**	**0**	**0**
Materiality	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Excess of accumulated unadjusted differences over materiality	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,424,101**	**1,424,101**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**

Uncorrected Opening Differences

		Adjustment to Earnings/Comprehensive Income Item DR (CR)						Adjustments to Balance Sheet Item DR (CR)							
Year	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
Closing equity differences		0	0	0	0	0	0	0	0	0	0	0	0	0	0

Notification of Changes

(See Attached)

Hot Topics for Those Charged with Governance

Winter 2024-25

Updated March 6, 2025

We've learned a few things over the years — and we want to share these experiences and ideas with you. What should management, audit committees, and boards be thinking about in 2025? We continue to be in an ever-evolving regulatory landscape and it continues to be crucial for organizations to stay ahead of key issues that can impact their operations and strategic decisions. This publication aims to provide you with valuable insights on some of the most pressing topics in the auditing and business landscape today.

In this ever-changing environment, it is essential for management, audit committees, and boards to be well-informed and proactive. We hope this document serves as a valuable resource as you navigate the challenges and opportunities ahead in 2025.

Interested in more? Check out MNP Insights at www.mnp.ca/en/insights for industry guidance, business insights, and more.

1.Tariffs

On March 4, the United States imposed sweeping tariffs on Canadian goods imported into the U.S. In response, the Canadian government has imposed counter-tariffs on American goods imported into Canada. This will be a period of continuous change as the two nations work through negotiations. Interprovincial trade opportunities may emerge as Canada’s provinces work together to reduce the negative impacts of tariffs. The effects of a trade conflict would negatively affect both imports and exports in Canada. Higher prices because of tariffs could lead to higher inflation and reduce demand for products in Canada and U.S. Beyond North America, lower global demand could in turn reduce commodity prices, including the price of oil. The threat of trade disruptions may stall planned investment projects and cross border contract negotiations.

Financial Impacts

- Increased costs and margins
    - One of the most immediate impacts of tariffs is the increase in the cost of imported goods. Companies that rely on materials, components, or finished products from the US may see their input costs rise. This can affect profit margins unless the additional costs can be passed on to customers through higher prices.
- Supply Chain Disruptions
    - Tariffs may lead to changes in supply chain dynamics. Businesses may need to source materials or products from alternative suppliers to mitigate the impact of tariffs.
- Changes in Inventory Valuation
    - The increased cost of goods due to tariffs can affect the valuation of inventory, which may result in net realizable value falling below costs incurred.
- Impact on Sales and Revenue
    - Tariffs can also impact sales and revenue, particularly if products become less competitive in the US market due to higher prices.
- Potential Impairments
    - Tariffs may lead to impairments of assets if the increased costs or decreased competitiveness result in lower-than-expected future cash flows.

How would this impact December 31, 2024 financials?

Any announced tariffs in 2025 are non-adjusting subsequent events under IAS 10/ASPE 3820 since they did not provide evidence of conditions that existed on December 31, 2024. These tariff announcements and the related economic uncertainties could be a material non-adjusting subsequent event that requires disclosure for many entities.

Going concern assessment considerations:

- Uncertainties related to tariffs may create a material uncertainty over going concern as at December 31, 2024.
- Going concern assessments are required to consider all available information up to the date of issuance of the financial statements. Cash flow projections should factor in these uncertainties, especially for close calls or when the impact of tariffs could be significant given your business and/or industry.

Future Financial Reporting Periods

- Financial statements will need to include entity-specific disclosure of significant measurement uncertainties, judgments, assumptions and risks.
- Inventory valuation assessments
    - Uncertainties related to declines in demand, increases in costs of imported inputs, and tariffs on inventory sold to the U.S. may affect net realizable value assessments for inventory.
- Impairment assessments
    - Uncertainties related to tariffs may be indicators of impairment for long lived assets.
- Cash flow projections and/or discount rates should factor in these uncertainties.
- Allowance for doubtful accounts/ Expected credit losses
    - Tariffs could impact customers' ability to pay their debts, in particular for affected industries.
- Foreign currency adjustments due to changes in value of the Canadian dollar.
- Debt
    - Covenant violations due to a decline in operating results
- Fair value measurement of financial assets and liabilities
- Future / deferred income tax assets
    - It may be more difficult to support the probability of realization (including the estimate of the amount to be realized) due to the impact of economic uncertainties
- Agricultural inventory and productive biological assets valuation
- Liabilities - potential penalties for contracts to be cancelled

For more insights on tariffs, visit us at www.mnp.ca/en/insights

2. CAS 600 - The new revised group audit standard is here

What you need to know

The group audit standard, CAS 600 *Special considerations – audits of group financial statements (including the work of component auditors)*, has been revised and is effective for audits of periods beginning on or after December 15, 2023.

CAS 600 (revised) includes new and revised requirements and application material that better aligns the standard with the recently revised quality management and risk assessment standards. The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

The changes made to CAS 600 (revised) are intended to:

- Introduce a risk-based approach for scoping and performing a group audit engagement to better align with the recently revised risk assessment standards
- Clarify the scope of the standard including whether, and how, the standard applies to entities with branches and divisions, shared service centers, and non-controlled entities
- Encourage proactive management of quality at the group engagement level and the component level
- Keep the standard fit for purpose in a wide range of circumstances and in a developing environment
- Reinforce the need for robust communication and interactions during the group audit
- Foster an appropriately independent and challenging skeptical mindset of the audit

3. Cybersecurity

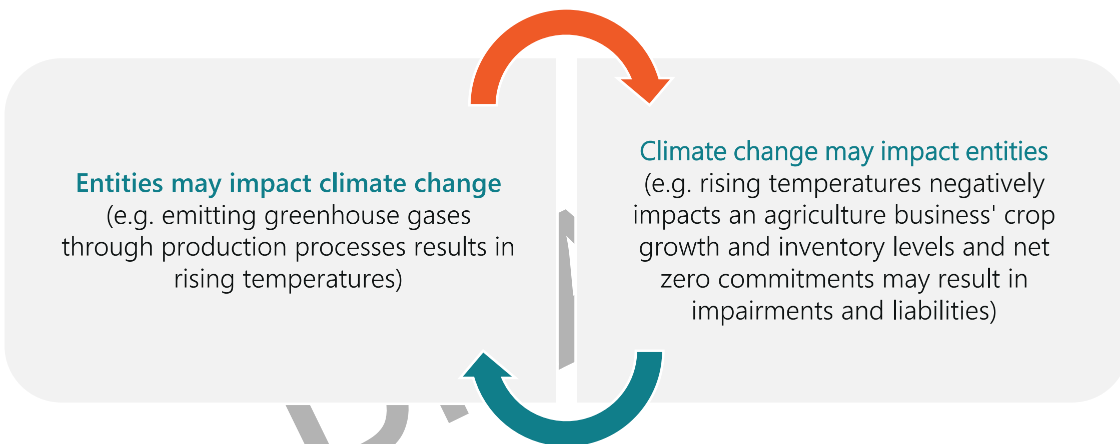
Organizations understand that cyberattacks are a critical risk to the business, not only affecting daily operations, but causing long term damage to productivity, profitability, and their brand. The attack surface of an organization has never been higher - with additional third-party service providers, outsourcers, the proliferation of data in the cloud, the shadow use of not only IT but also data and AI. Organizations must prepare and secure a foundation for new data security, enhanced cyber insurance and compliance requirements, as well as privacy legislation.

Questions to consider asking management include the following:

- Have you performed an Insider Risk Threat Assessment?
- What compliance requirements are applicable to us and our data?
- Where is our data? Who has access to that data?
- Are we prepared for the increased sophistication of threat actors leveraging AI toolsets?
- Have we considered assessing our vulnerability to insider threat?
- Are we prepared to deal with a data compromise?

4. Climate Risk in Financial Reporting

Separate from environmental, social, and governance reporting, investors and other stakeholders are increasingly interested in understanding the financial statement impacts of climate change because of its potential effect on organizations' business models, cash flows, financial position and financial performance. Most industries have been, or are likely to be, affected by climate change and efforts to manage its impact. However, some organizations, industries and activities will be affected more than others. Current accounting standards do not refer explicitly to climate-related matters. However, these matters must be considered in applying accounting standards when their effect is material in the context of the financial statements taken as a whole.



Examples

- Impairment considerations: The entity may be required to disclose how they considered climate-related matters in their own impairment assessment even though the applicable financial reporting framework may not specifically require such disclosure.
- Going concern matters: Disruption to operations due to extreme weather patterns such as fire, tornadoes, flooding, drought, etc., where management may have indicated plans to relocate operations in an area less susceptible to extreme weather.
- Fixed asset considerations: A manufacturing plant's machinery may be impacted by changes in legislation that aims to reduce dependence on fossil fuels and therefore the useful life and residual values may decrease due to its earlier than planned discontinuation of use.

5. Service Organization

In today's complex business environment, the rise of new services and industries has led to more outsourcing to third-party organizations. To comply with Canadian auditing standards, we as your auditor must understand these third-party services to assess and address risks of material misstatements in the financial statements. As the first line of defense, management must be proactive in understanding these services to enable the auditor's compliance with the auditing standards.

What does this mean for you?

- Understand the outsourced services: Your management must have a clear understanding of the third-party services your organization uses. It is always good practice to inquire about the availability of a System and Organization Controls (SOC) report when engaging with any new third party organizations.
- Facilitate the auditor's need for information: We may ask detailed questions about your third-party relationship, including whether there are new service providers, changes to contracts, risk management process, IT environment and how transactions are handled, and the controls management implemented over the transactions handled by the third party.
- Documentation requirements: We may request documentation such as business plans, contracts, SOC reports, and Service Level Agreements (SLAs).
- SOC Reports: If a service organization relationship exists, management may need to obtain a SOC report, which is essential for assessing controls relevant to financial reporting. Management needs to review the list of complementary user entity controls ("CUECs") described in the SOC report and ensure that they have been implemented and that they are operating effectively at your organization. We may request evidence of this.
- Potential Impact on Audit Opinion: If the appropriate SOC reports are not available, or they are insufficient or if the service organization's controls are not effective, we may need to perform additional procedures or modify the audit opinion.

Standard-Setting Continues to Evolve

Actual / Expected Effective Date of New PSAS Accounting and Assurance Standards

2025

- Listed Entity & PIE *(revision to CAS 260 and CAS 700)*

2026

- PSAS Revised Conceptual Framework
- PS 1202, Financial Statement Presentation

2027

- CAS 570 Going Concern*
- CAS 240 Fraud*
- CSSA 5000 - Sustainability Assurance*

Beyond

- Integrated Project – Audit Evidence, Risk Response, and Analytics* (2028)
- ESG Mandatory Reporting (Unknown)
- Less Complex Entities (Unknown)
- Disruptive Technologies (Unknown)

**Estimated based on project timeline*

April 22, 2025

MNP LLP
Unit 201, 4711 – 49B Avenue
Lacombe, Alberta T4L 1K1

To Whom It May Concern:

In connection with your audit of the financial statements of Kneehill County (the "County") as at December 31, 2024 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 26, 2024.

2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.

3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the County's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the financial statements.

4. We have disclosed to you all significant assumptions used in making accounting estimates and judgements, and believe they are reasonable.

5. We are aware of and concur with the contents and results of the attached journal entries prepared by you, and accept responsibility for the financial statement effects of the entries.

6. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

8. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.

9. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian public sector accounting standards.

10. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.

11. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.

12. All assets, wherever located, to which the County had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.

13. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.

14. All cash accounts have been appropriately recorded in the financial statements and all terms and associated conditions have been disclosed to you in full. We have provided you with the most current banking agreements.

15. Investments in marketable securities are appropriately recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All events or circumstances giving rise to impairments are reflected in the financial statements.

16. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2024. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.

17. Inventory is correctly recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All required provisions for slow-moving, obsolete, and unsaleable stock have been recorded. Inventory does not include any goods on consignment to others or goods invoiced to customers.

18. All charges to tangible capital assets and additions under capital leases represent capital expenditures. No expenditures of a capital nature were charged to operations of the County. Depreciation of tangible capital assets and equipment under capital leases has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.

19. Government transfers have been recognized when the transfer is authorized, and all eligibility criteria have been met.

20. Employee future benefits have been appropriately recorded in the financial statements according to the requirements of Canadian public sector accounting standards. All actuarial assumptions and valuations have been disclosed to you in full and are appropriate.

21. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the County is not entitled to the proceeds.

22. We have appropriately identified, recorded and disclosed all business combinations and changes in ownership interests during the year in accordance with the requirements of Canadian public sector accounting standards.

23. We have identified all financial instruments, including derivatives, and hedging relationships. These have been appropriately recorded and disclosed in the financial statements in accordance with the requirements of Canadian public sector accounting standards.

24. We have identified all known or potential contaminated sites and the costs associated with the remediation of these sites have been appropriately accounted for and disclosed in the financial statements in accordance with Canadian public sector accounting standards.

Information Provided

1. We have responded fully to all inquiries made to us and have made available to you:

   - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, related data and minutes of the meetings of the Council held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
   - Additional information that you have requested from us for the purpose of your audit;
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.

3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.

4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.

5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.

6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.

7. We have disclosed to you the identities of all related parties to the County and all related party relationships and transactions of which we are aware.

8. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

9. There are no discussions with your firm's personnel regarding employment with the County.

Professional Services

1. We acknowledge the engagement letter dated September 26, 2024, which states the terms of reference regarding your professional services.

2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the County's audit.

Sincerely,

Kneehill County

Signature	Title