

April 29, 2026

Reeve and Council
Foothills County
PO Box 5605
High River, Alberta T1V 1M7

Ladies and Gentlemen:

RE: 2025 ANNUAL AUDIT OF FOOTHILLS COUNTY

We are pleased to provide the following report relating to our audit of the financial statements of Foothills County for the year ending December 31, 2025.

During the course of our audit we identified matters which may be of interest to the Council. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to the Council in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

The matters identified are included in this report which has been prepared solely for the information of the Council and is not intended for any other purpose. As such, we accept no responsibility to a third party who uses this report. Should any member of the audit committee or equivalent wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Our report is intended to assist the Council in fulfilling its obligation with respect to the 2025 financial statements. We have also attached a separate communication regarding the role of the Council and our recommendations for the Council of the County.

We would be pleased to further discuss any of the issues addressed in the report or any other issue which may be of interest or concern to the Council.

Yours truly,

AVAIL LLP

Michelle Lutz, CPA, CA
Enclosure

I. Purpose and Scope of Examination

We refer you to our communication dated April 13, 2026, which outlines the purpose and scope of our examination.

II. Results of Examination

As a result of our examination, we report that, in our opinion, the financial statements as at December 31, 2025 present fairly, in all material respects, the financial position of the County in accordance with Canadian public sector accounting standards.

Throughout the course of our examination, we received full co-operation from County officials and employees. No restrictions were imposed on the method or extent of our examination. We were given access to all records, documents and other supporting data and were furnished all information and explanations we required. In addition, we had the opportunity to discuss accounting matters with County officials.

III. Communication with Council

In accordance with the auditing standard "communications with those having oversight responsibility for the financial reporting process", the following matters are recommended to be communicated to the Council.

| Matters to be Communicated | Reference/Comment |
|--|---|
| 1. Significant Deficiencies in Internal Controls | During our audit, we did not encounter any significant deficiencies in internal controls. |
| 2. Illegal Acts and Fraud | An audit conducted in accordance with generally accepted auditing standards does not provide assurance about an entity's compliance with the laws and regulations that may affect it. These standards include, however, a requirement that the nature, extent and timing of the auditors' procedures should be designed so that, in the auditors' professional judgment, the risk of not detecting a material misstatement in the financial statements is reduced to an appropriately low level. However, due to the nature of illegal acts, an auditor conducting an audit in accordance with generally accepted auditing standards may not detect an illegal act, or recognize an act as being illegal, even if the effect of its consequences on the financial statements is material. Based on the results of our testing, we did not identify any illegal, improper or questionable payments or acts nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of financial information. |

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|---|---|
| 3. Significant Accounting Principles and Policies | We refer you to note 2 to the financial statements for a summary of significant accounting policies adopted by the County. |
| 4. Management's Judgments and Accounting Estimates | <p>There were no disagreements between management and ourselves regarding management's judgments and accounting estimates.</p> <p>Going Concern Assumption - It is now a requirement that management make an assessment each year regarding the County's ability to continue as a going concern. This assessment requires management to make certain judgments about the County's ability to meet its obligations in the foreseeable future.</p> <p>Management has advised that they are aware of no events or conditions that cast doubt upon the County's ability to continue as a going concern in the foreseeable future, and there is no intention to liquidate the County's assets or otherwise cease operations.</p> |
| 5. Written Representation from Management | As requested, management has provided us written representations that it has fulfilled its responsibility for the preparation of the financial statements and that it has provided us with the required information for us to complete our audit. |
| 6. Other Information in Documents Containing Audited Financial Statements | Should the County issue any report during the year that includes the audited financial statements, we will be required to read the unaudited information in the report prior to its release to ensure consistency with the information presented in the financial statements. |
| 7. Disagreements with Management | There were no disagreements between management and ourselves with respect to the County's accounting policies or presentation and disclosure in the financial statements. |
| 8. Difficulties Encountered in Performing the Audit | The full co-operation of management and other personnel was received during our examination. |
| 9. Financial Statement Disclosure | There were no contentious financial statement disclosure issues. |
| 10. Other Matters | No other matters were noted. |

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| 11. Emerging Issues | <p>Future Accounting Changes</p> <p>The Public Sector Accounting Board has issued the following accounting standards:</p> <p><u>PS 1202 – Financial Statement Presentation</u> (effective fiscal years beginning April 1, 2026)</p> <p>A new standard has been proposed to replace PS 1201 Financial Statement Presentation and is intended to provide an improved financial reporting framework.</p> <p>Some of the key proposed changes are:</p> <ul style="list-style-type: none"> • liabilities will be separated into two categories: financial and non-financial • the Statement of Financial Position will be restructured to present total assets followed by total liabilities to arrive at net assets • the net debt indicator will be removed from the Statement of Financial Position and will be shown on a separate statement “Statement of Net Financial Assets or Net Financial Liabilities” • the requirement to present a Statement of Changes in Net Financial Assets (Debt) will be removed • other minor changes are proposed to the Statement of Cash Flows and budgeted information <p><u>Conceptual Framework for Financial Reporting in the Public Sector</u> (effective fiscal years beginning April 1, 2026)</p> <ul style="list-style-type: none"> • the new conceptual framework provides additional guidance and clarity, and builds on the previous framework • the conceptual framework lays the foundation for principles-based standards in the public sector |
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Foothills County
 Unadjusted Financial Statement Misstatements
 For the year ended December 31, 2025

| Unadjusted Financial Statement Misstatements | Proposed Adjustments Dr (Cr) | | | | |
|--|------------------------------|------------------|---------------|-------------|----------------|
| | | | Balance Sheet | | |
| | Opening Equity | Income Statement | Assets | Liabilities | Closing Equity |
| Carryforwards | | | | | |
| 2024 SRRUC | \$ (514,122) | \$ - | \$ 515,639 | \$ (1,516) | \$ (514,122) |
| West Foothills land | (482,440) | 482,440 | - | - | - |
| 2024 firefighter accrual | 96,060 | (96,060) | - | - | - |
| Current year | | | | | |
| 2025 SRRUC | \$ - | \$ (8,808) | \$ 12,180 | \$ (3,372) | \$ (8,808) |
| Subtotal | (900,502) | 377,572 | 527,819 | (4,888) | (522,930) |
| Income taxes | - | - | - | - | - |
| Total | \$ (900,502) | \$ 377,572 | \$ 527,819 | \$ (4,888) | \$ (522,930) |