



AGENDA ITEM

Presentation of the 2021 Audited Financial Statements

April 28, 2022

BACKGROUND

Representatives from BDO LLP, the County's appointed external auditors, will be before Council to present the draft 2021 audited financial statements as well as 1) final report to Council, 2) management letter, and 3) letter of representation.

In addition to presenting the statements and answering questions from Council in an open session, Council will also have the option to go in-camera with the auditors to discuss any items without Administration present.

A copy of the statements and support documents is attached.

ANALYSIS

The County's 2021 financial statements reflect the position of the County as of December 31, 2021, and have been prepared in accordance with the recommendations of the CPA's Public Sector Accounting Board Handbook.

Approved financial statements must be submitted to the Minister of Municipal Affairs by May 1st each year.

The auditors will provide a summary of the results included in the financial statements and, in particular:

1. **Statement of Financial**, page 3. This statement shows the County's cumulative assets, liabilities, and surplus as of December 31, 2021.
2. **Statement of Operations**, page 4. This statement shows the activities of the County for the calendar 2021 year. Activities funded through the annual operating budget are reflected in this statement.
3. **Statement of Change in Net Financial Assets**, page 5. This statement reflects the changes in liquid (financial) assets year over year and is a barometer for the County's financial health.
4. **Statement of Cash Flow**, page 6. This statement summarizes the County's sources and uses of cash over the calendar 2021 year.



Included in the statements is also a series of notes. The notes provide further detail in support of the statements themselves. There are two notes that help the reader reconcile the financial statements to the budget that is approved by County Council.

1. **Note 22** highlights the difference between the budget approved in May 2021 and the budget included in the financial statements. The biggest change is the inclusion of amortization of capital assets. Amortization must be reported in the financial statements as an expense, but there is no requirement to include this non-cash expense in the County's budget.
2. **Note 23** reconciles the operating surplus included on page 4 of the statements with the surplus calculated using the County's budget. Again, the difference is related to the reporting of amortization and other non-cash expenses in the financial statements but not included in the County's budget.

Included in the package is the "Summary of Unadjusted Misstatements." These are items that are not recorded correctly in the view of our auditors. The overall impact on the current year's surplus is overstating expenses of \$94,353. These amounts are immaterial; however, they are above BDO's trivial number. Below are explanations of the misstatements:

1. **Sand excluded in inventory** is a combination of reject sand used in salt/sand mix and the salt/sand mix stockpiled at the Public Works Shops and Remote Shops. This material is used over the winter months and historically expensed in the fall of each year for the entire winter season.
2. **Previous Years Errors** – included in this amount was an understatement of the sick leave liability due to increased sick leave usage. This is an estimate based on historical sick leave utilization and sensitivity analysis. We reviewed the liability requirement in 2021 and increased the liability by \$165,000 in 2021.

The draft statements do not include Council's input on the final allocation to reserves for 2021. Administration has prepared a separate report on this matter, and Council will have the opportunity to approve these final allocations.

Based on direction from Council on this matter, the statements would be amended to reflect these changes.



ALTERNATIVES

1. Approved the statements as presented. This assumes that Council has no changes to the draft statements as presented.
2. Approve changes to the statements based on Council's input on final transfers to reserves

BUDGET IMPLICATIONS

The 2021 Budget includes \$56,720 for audit. The 2021 audit will be at budget.

LEGISLATIVE RESPONSIBILITIES

- CPA's Public Sector Accounting Handbook.
- Section 276(1) of the Municipal Government Act (MGA) states that each municipality must prepare annual financial statements of the municipality for the immediately preceding year.
- Section 281(1) of the MGA states that the auditor for the municipality must report to the Council on the annual financial statements and financial information return on the municipality.
- Section 281(3) of the MGA states that the auditor must separately report to the Council any improper or unauthorized transaction or non-compliance with this (the MGA) or another enactment or a bylaw that is noted during the course of an audit.

RECOMMENDATION

Following the meeting with BDO representatives, pass the following resolution:

That the 2021 Audited Financial Statements be approved as amended to include the 2021 surplus allocation to reserves.

PREPARED BY: Wendy Wiebe, Manager of Finance



PREPARED BY: Michael Minchin, Director of Corporate Services



REVIEWED BY: Tim Timmons, County Manager

