



COUNCIL REPORT

2023 Year-End Financial Statements

Electoral Division: All

File: N/A

Date:	April 23, 2024		
Presenter:	Isedua (Issy) Agbonkhese, Manager		
Department:	Financial Services		
Approved by:	<input checked="" type="checkbox"/> Executive Director / Director	and/or	<input checked="" type="checkbox"/> Chief Administrative Officer

REPORT SUMMARY

Each year, the auditor for Rocky View County must report to Council on the annual financial statements and financial information return in accordance with section 281(1) of the *Municipal Government Act* (MGA).

BDO LLP, Rocky View County’s external auditors, has completed the external audit of its financial statements for December 31, 2023. BDO LLP has issued an opinion letter assuring no material misstatements in the financial statements.

The 2023 financial statements, the 2023 financial information return, and the auditor’s report on these statements must be submitted to the Province by May 1 each year as per section 278 of the MGA.

An operating surplus of \$8,710,823 currently exists mainly due to higher-than-anticipated revenues. The annual surplus will be transferred to the Tax Stabilization Reserve upon approval of the Financial Statements as per Reserve Fund Policy C-222. These funds are available for Council’s consideration of future service delivery enhancements or identified project funding.

BDO LLP is present and available to discuss various topics, including audit findings, materiality, fraud, the County’s specific needs or expectations, and any other issues or concerns. For this discussion, Council may choose to move into a closed session in accordance with the following:

- a) *Municipal Government Act* Section 197(2); and
- b) *Freedom of Information and Protection of Privacy Act*

Section 24 – Advice from officials

Section 25 – Disclosure harmful to economic and other interests of a public body

ADMINISTRATION’S RECOMMENDATION

THAT Council approve the 2023 audited financial statements and direct Administration to submit them to the Province of Alberta by the deadline of May 1, 2024 as required by section 278 of the *Municipal Government Act*.

BACKGROUND

On October 17, 2023, Council appointed BDO as Rocky View County’s auditors for a five-year term, ending on December 31, 2027. On March 14, 2024, BDO provided its year-end audit service plan to Council, discussing their overall strategy, significant risk areas that have been identified, and terms of

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engagement, including a determined preliminary materiality of \$6.0 million for the audit of Rocky View County's 2023 financial statements.

Final materiality was changed to 2% of total assets, or \$18,500,000, for testing Asset Retirement Obligations and Tangible Capital Assets, and a specific materiality of 2.5% of revenue, or \$5,335,000, was applied for all other financial statement areas.

BDO has issued an opinion letter to the effect that the financial statements present fairly, in all material respects, the financial position of the County as of December 31, 2023, and its results of operations, its changes in net assets, and its cash flows for the year ended in accordance with Public Sector Accounting Standards.

ANALYSIS

The 2023 audited Year-End financial statement package is divided into the following sections:

Section I Contains the 2023 audited financial statements, supporting schedules, and notes to the financial statements.

Municipal Operations

An operating surplus of \$8,710,823 (Reference: Note 13 in the Notes to the Financial Statements) is derived from:

Higher than anticipated revenues of \$7.8 million, which includes building and development permits (\$4.5 million), net investment income (\$3.1 million), fines, penalties, and fire Services revenue (\$1.2 million), offset by a reduction in net municipal taxes of (\$1.0 million).

Higher than anticipated cost savings of \$912K, which includes legal services and insurance claims, streamlined information technology services, lower salaries and wages, and training expenses due to vacancies across the organization (\$2.3 million), are offset by higher than anticipated wages for part-time firefighters and planning staff and higher than expected utility costs (\$1.4 million).

The favorable \$1.1 million increase in the forecasted operating surplus from Q3 to year-end is mainly due to revenues from building and development permits (\$900k), net investments (\$500K), traffic fines, and fire services (\$387K), offset by lower than anticipated net municipal taxes(\$676K).

The annual surplus will be transferred to the Tax Stabilization Reserve upon approval of the Financial Statements as per Reserve Fund Policy C-222. These funds are available for Council's consideration of future service delivery enhancements or identified project funding.

Capital Spend

The total capital budget of \$44.1 million consists of the current year and the prior year's carry-forward amounts. As of December 31, 2023, \$25.5 million of the County's 2023 capital budget had been spent, and \$15.5 million in contributed assets had been transferred to the County in the year. Reference: Statement of Change in Net Financial Assets.

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Debt

As of December 31, 2023, the County had \$53.8 million of long-term debt, which consisted of \$53.5 million in capital debt and \$332K in operating debt. The County remains within its debt limit and debt service limits. Reference: Notes 8 & 12 in the Notes to the Financial Statements December 31, 2023.

Reserves

As of December 31, 2023, the County had recognized a \$3.1 million decrease in reserves for a balance of \$139.6 million, mainly consisting of a decrease in the net transfers from the Transportation Offsite Levy reserve (\$5.0 million) and the Tax stabilization reserve of (\$4.6 million); increase in net transfers of \$2.2 million from the Public reserve, \$1.7 million Water and Wastewater Off-site Levy reserve, \$713K Community Aggregate Program reserve, \$588K Springbank Recreation reserve, \$592K in tax-funded reserves and \$795K Utility reserves. Reference: Note 13 in the Notes to the Financial Statements December 31, 2023.

Section II Contains a high-level variance analysis of significant changes in the Statement of Financial Position and the Statement of Operations.

Section III Provides an overview of audit findings, which representatives of BDO LLP will present.

COMMUNICATIONS / ENGAGEMENT

Upon approval of the financial statements, the County will submit the 2023 financial statements, the 2023 financial information return, and the auditor's report on these statements to the Province of Alberta on or before May 1, 2024.

In addition, the 2023 Audited Financial Statements PDF document will be published to the County website under the Budget and Finance tab for public viewing.

IMPLICATIONS

Financial

The surplus of revenue over expense will transfer \$8,710,823 in operating surplus to the Tax Stabilization Reserve.

STRATEGIC ALIGNMENT

This report is a statutory obligation under section 281(1) of the *Municipal Government Act*.

ALTERNATE DIRECTION

Administration does not have an alternate direction for Council's consideration.

ATTACHMENTS

Attachment A: 2023 Year-End Financial Statements