



FINANCIAL SERVICES

TO: Council
DATE: April 27, 2021 **DIVISION:** All
FILE: 0630 **APPLICATION:** N/A
SUBJECT: 2020 Year End Financial Statements

POLICY DIRECTION:

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

EXECUTIVE SUMMARY:

The external audit of Rocky View County's financial statements for December 31, 2020, has now been completed by MNP, the County's external auditors. An operating surplus of \$7,449,682 currently exists from an increase in revenue collection and departmental expense savings. Half of this surplus is derived from a Provincial transfer of Municipal Operating Support Transfer (MOST) grant in the amount of \$3.7M. Administration is respectfully requesting approval of the 2020 Audited Financial Statements so they may be submitted to the Province of Alberta by the May 1 deadline.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

BACKGROUND:

On September 25, 2018, Council appointed MNP to be the County's auditors. MNP has conducted Rocky View County's financial statement audit for the year ending December 31, 2020.

The Auditors have issued an opinion letter, assuring that there are no material misstatements within Rocky View County's December 31, 2020, financial statements.

The financial statements and the auditor's report on the financial statements, as well as the financial information return and the auditor's report on the financial information return, are required to be submitted to the Province by May 1 of each year as per section 278 of the *MGA*.

Section I – This section contains the 2020 audited financial statements, supporting schedules, and notes to the financial statements. An operating surplus in the amount of \$7,449,682 is derived from an increase in revenue collection and expense savings. The annual surplus will be transferred to the Tax Stabilization Reserve upon approval of the Financial Statements per Rocky View County policy C-222, "Reserve Fund Policy". These funds are available for Council's consideration of future service delivery enhancements or identified project funding.

Section II – This section contains a variance analysis of significant changes in the Statement of Financial Position and the Statement of Operations.



ROCKY VIEW COUNTY

Section III – This section provides an overview of audit findings, which will be presented by representatives of MNP. During the 2020 Audit, two management points were identified:

- 1) Limits on the amount of vacation time an employee is able to accrue are not being enforced. Vacation banks for senior management are difficult to verify.

Management has provided the following response: “Management realizes there may be risk in this area. Management has taken steps to mitigate the buildup of unused vacation. Strategies include: 1) Management continually encourages employees to use their allotted yearly vacation; 2) Policy A-101-02 terms and conditions outlines that an employee can carry forward 10 days of vacation into the following year; 3) due to COVID 19, Senior Management allowed a one-time only, vacation payout to a maximum of 10 days; and 4) Payroll reports employee outstanding vacation to managers throughout the year”.

- 2) Gravel pit reclamation is understated, which is carried forward from the prior year with an opening accumulated surplus impact of \$1,852,600 and current year impact on ending liabilities and earnings for the year as noted in this table.

Management has provided the following response: “Management continues to monitor gravel pit reclamation. Strategies to mitigate this risk include: 1) Sell some of Rocky View County’s gravel pits; 2) Yearly budgeting (\$200,000 - \$400,000) for the reclamation of active gravel pits; and 3) Increased funding for the gravel pit liability to address future reclamation liability”. Rocky View County has contributed an additional \$750,000 in 2020 for this initiative, for a total liability funding of \$1,500,000.

MNP LLP is present and available to discuss various topics, including materiality, fraud, the County’s specific needs and expectations, or any other issues or concerns. For the purposes of this discussion, Council may choose to move to 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

BUDGET IMPLICATIONS:

Transfer to Reserve: \$7,449,682 – Operating surplus

OPTIONS:

Option #1: THAT the 2020 Audited Financial Statements be approved as presented in Attachment ‘A’.

Option #2: THAT alternative direction be provided.



Respectfully submitted,

“Kent Robinson”

Executive Director
Corporate Services

Concurrence,

“Kent Robinson”

Interim Chief Administrative Officer

BW/jt

ATTACHMENTS:

ATTACHMENT ‘A’: 2020 Year End Financial Statements and supporting schedules and notes