



FINANCIAL SERVICES

TO: Council
DATE: April 26, 2022
FILE: 0630
SUBJECT: 2021 Year End Financial Statements

DIVISION: All
APPLICATION: N/A

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 section 281(1) of the *Municipal Government Act* (MGA).

EXECUTIVE SUMMARY:

The external audit of Rocky View County's financial statements for December 31, 2021, has now been completed by MNP LLP, the County's external auditors. An operating surplus of \$10,697,240 currently exists from an increase in revenue collection and departmental expense savings. Administration is respectfully requesting approval of the 2021 Audited Financial Statements so they may be submitted to the Province of Alberta by the May 1, 2022 deadline.

ADMINISTRATION RECOMMENDATION:

Administration recommends approval in accordance with Option #1.

BACKGROUND:

On September 25, 2018, Council appointed MNP LLP to be the County's auditors. The auditor has conducted Rocky View County's financial statement audit for the year ending December 31, 2021.

The auditor has issued an opinion letter, assuring that there are no material misstatements within Rocky View County's December 31, 2021 financial statements.

The 2021 financial statements, and the 2021 financial information return, as well as auditor's report on these statements are required to be submitted to the Province by May 1 of each year as per section 278 of the MGA.

The 2021 audited financial statements are divided into the following sections:

Section I This section contains the 2021 audited financial statements, supporting schedules, and notes to the financial statements. An operating surplus in the amount of \$10,697,240 is derived from an increase in revenue collection and expense savings.

Nearly half of this surplus is derived from increased revenues from development permits, compliance permits, cemetery revenues and tax penalties in the amount of \$5.1 million.

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

Administration Resources

Barry Woods, Manager, Financial Services



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.

Section III This section provides an overview of audit findings, which will be presented by representatives of MNP LLP.

Two management points were identified by the auditor:

1) Vacation Accruals – Update from 2020

Original observation:	Limits on the amount of vacation time that an employee is able to accrue are not being enforced.
Update:	Procedure #PRO-193 Terms and Conditions of Employment Policy (A-101-02) has been updated to address the concerns. While there are still a large number of salaried employees with large vacation accruals overages, it is no longer off-side for policy.
Management response:	Management has been working to manage vacation time more effectively. With the large vacation accruals overages identified it was not possible to reduce all overages within one year. The vacation accrual hours liability is been reduced almost \$400,000 over the past year.

2) Gravel Pit Reclamation

Update:	Gravel pit reclamation is understated, which is carried forward from the prior year with an opening accumulated surplus impact of \$767,413, and current year impact on the ending liabilities and earnings for the year as noted in Appendix C of the attached MNP LLP findings report.
Management response:	Management continues to monitor gravel pit reclamation. Strategies to mitigate this risk include: <ol style="list-style-type: none"> 1) Sale of some Rocky View County's gravel pits 2) Yearly budgeting (\$200,000 - \$400,000) for the reclamation of active gravel pits. There is currently \$1.5 million set aside for the future reclamation of gravel pits.

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 into 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:

Revenue and expense savings will result in a transfer of \$10,697,240 in operating surplus to the reserve.

OPTIONS:

Option #1: THAT the 2021 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,

"Byron Riemann"

Acting Chief Administrative Officer

BW/sr

ATTACHMENTS:

ATTACHMENT 'A': 2021 Year End Financial Statements, supporting schedules, and notes