



**Strathcona Country**  
**AUDIT RESULTS**  
**December 31, 2019**





April 20, 2020

**Mayor and Council  
Strathcona County**

Dear Members of Council (“those charged with governance”),

We are pleased to provide the results of our audit of the consolidated financial statements of Strathcona County (“the County”) for the year ended December 31, 2019. This letter also includes the status of our audit, which we anticipate will be completed on or about May 26, 2020.

Our audit was designed to express an opinion on the December 31, 2019 consolidated financial statements. We continue to receive the full support and assistance of the County’s personnel in conducting our audit. Open and candid dialogue with you is a critical step in the audit process, and in the overall corporate governance process and we appreciate this opportunity to share the insights from our audit with you.

At Ernst & Young, we continually evaluate the quality of our professionals’ work in order to deliver remarkable client service. We strive to provide you with audit services of the highest quality that will meet or exceed your expectations, and we encourage you to participate in our Assessment of Service Quality (ASQ) process to provide your input on our performance. The ASQ process is a critical tool that enables us to monitor and improve the quality of our audit services to the County.

This report is intended solely for the information and use of management and those charged with governance. It is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to meeting with you to discuss the contents of this letter and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

A handwritten signature in black ink that reads 'Ernst &amp; Young LLP'. The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Rob M. Jolley, CPA, CA\*

*\*Services provided through Robert Jolley Professional Corporation*





## **Table of Contents**

- ▶ 2019 Ernst & Young services
- ▶ Critical policies, estimates and areas of audit emphasis
- ▶ Fraud considerations and the risk of management override
- ▶ Uncorrected misstatements
- ▶ Summary of significant disclosure deficiencies
- ▶ Appendix A: Required communications
- ▶ Appendix B: Draft letter of representation



## 2019 Ernst & Young services

	Services and deliverables	Status update
<b>Audit and audit-related services</b>	<p>► Express opinions on:</p> <ul style="list-style-type: none"> <li>▪ The consolidated financial statements of Strathcona County ('the County') for the year ended December 31, 2019, prepared in accordance with the Canadian public sector accounting standards ("PSAS").</li> <li>▪ The financial information return for the County for the year ended December 31, 2019, prepared for Alberta Municipal Affairs in accordance with Section 277 of the Municipal Government Act.</li> <li>▪ The separate financial statements of Pioneer Housing Foundation and the Strathcona County Library Board for the year ended December 31, 2019 in accordance with PSAS.</li> <li>▪ The Family and Community Support Services Program Schedule of Revenues and Expenditures and Transfers ("FCSS") for the year ended December 31, 2019, prepared for the Minister of Municipal Affairs in accordance with the financial provisions in the Province of Alberta Family and Community Support Services Act and Alberta Regulation 218/94</li> </ul>	<p>► Audit procedures to be completed on the consolidated financial statements:</p> <ul style="list-style-type: none"> <li>▪ Obtain a letter of representations from management</li> <li>▪ Receipt of legal letters</li> <li>▪ Independent partner review</li> <li>▪ Perform final procedures relating to our review of the financial statements and footnotes</li> <li>▪ Complete subsequent events review procedures</li> <li>▪ Perform standard fraud and subsequent events inquiries with Council</li> </ul> <p>► We issued an unqualified opinion on the financial statements of the Strathcona County Library Board for the year ended December 31, 2019 on March 16, 2020.</p> <p>► The Pioneer Housing Foundation and FCSS audits are in progress.</p>



	Services and deliverables	Status update
	<ul style="list-style-type: none"> <li>▪ Issue a written communication to:               <ul style="list-style-type: none"> <li>– Management and Council describing significant deficiencies in internal control identified during our audit, should any be noted; and</li> <li>– Management of other deficiencies in internal control identified during our audit that in our professional judgment are of sufficient importance to merit management's attention, should any be noted</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>► No matters requiring written communication have been identified as of the date of this report.</li> </ul>
<b>Other services</b>	<ul style="list-style-type: none"> <li>▪ Agreed upon procedures on the annual contributions to the Local Authorities Pension Plan ("LAPP") for 2019.</li> <li>▪ Agreed upon procedures on the annual contributions to the APEX Supplementary Pension Plan for 2019.</li> </ul>	<ul style="list-style-type: none"> <li>► The LAPP Compliance report is in progress and will be submitted prior to the May 31, 2020 deadline.</li> <li>► The APEX Compliance report is in progress and will be submitted prior to the June 30, 2020 deadline.</li> </ul>



## Critical policies, estimates and areas of audit emphasis

Area of emphasis / critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p><b>Revenue recognition</b></p> <p>Taxation revenues are recorded in the period to which the assessment relates and reasonable estimates of amounts can be made.</p> <p>Government transfers are recognized in revenue when they are authorized and when eligibility criteria have been met. Under certain circumstances, agreements may create a liability which is deferred until certain criteria are met.</p> <p>Development charges must be used for specific purposes and are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).</p> <p>When appropriate, fees and user charges are deferred and recognized in revenue in the period in which the resources are used for the specified purpose(s).</p>	✓	<ul style="list-style-type: none"> <li>▶ We ensured that tax revenue was calculated based on tax rates approved by County Council and confirmed amounts requisitioned directly with third parties.</li> <li>▶ We reviewed the recognition of amounts subject to external restrictions to ensure that they were recognized appropriately. In addition, we agreed all significant government transfers to the related agreements and cash receipts.</li> <li>▶ We selected a sample of revenue transactions and traced them to supporting documentation to ensure they were appropriately recorded and approved.</li> <li>▶ Based on our audit procedures the County's overall revenue recognition policies are appropriate and consistent with those applied by other Alberta municipalities. Revenue recognition policies are unchanged from last year and have been appropriately applied.</li> </ul>



Area of emphasis / critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p><b><i>Insurance proceeds related to the parkade event</i></b></p> <p>As a result of the incident in the Community Centre parkade which took place on November 6, 2018, \$14.6M in costs were incurred by the County to December 31, 2019.</p>		<ul style="list-style-type: none"> <li>▶ During the year the County received \$12.9M in proceeds from their insurance provider as a result of expenses incurred related to the parkade event. In addition, \$295K was accrued as receivable from their insurance provider as it was determined to be virtually certain of receipt. Both the funds received and accrued were reported as other operating revenue in the statement of operations.</li> <li>▶ We have reviewed a sample of the supporting cash receipts as well as correspondence with the County's insurance adjustor approving the amount for payment and have concluded that the County's accounting treatment is appropriate.</li> </ul>
<p><b>Tangible Capital Assets</b></p> <p>Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the assets. The tangible capital assets' cost, excluding land, are amortized on a straight-line basis over their estimated useful lives.</p> <p>With the implementation of the Strathcona County Business Transformation (SCBT) Project, an assessment will be performed to determine if the costs associated with the project should be expensed or capitalized.</p>	✓	<ul style="list-style-type: none"> <li>▶ During the audit we tested a sample of additions and disposals of tangible capital assets to supporting documentation and tested the reasonability of amortization recorded during the year.</li> <li>▶ We reviewed the \$4.3M in costs associated with the implementation of the SCBT Project and noted they were appropriately expensed in accordance with accounting standards.</li> </ul>



Area of emphasis / critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<b>Tangible Capital Assets</b> (continued)		<ul style="list-style-type: none"> <li>▶ During our audit procedures we noted that a land impairment of \$933K was recorded in 2019 however the event giving rise to the impairment occurred prior to 2018. As a result, the statement of financial position as at December 31, 2019 is correct. The 2019 expenses include this amount that relates to prior years. The 2019 financial statements are not materially misstated.</li> <li>▶ The County's tangible capital asset capitalization and amortization policies are appropriate. Estimated useful lives for assets are consistent with prior years and appear reasonable compared to those applied by other Alberta municipalities and the expectations of Alberta Municipal Affairs.</li> <li>▶ Based on the testing performed the tangible capital assets appear reasonable other than the above noted misstatement.</li> </ul>
<b>Investments</b>  The County values investments at amortized cost less any amounts allowed to reflect a permanent decline in value.  If the fair value of investments is less than cost, the County must assess whether the impairment is considered other-than-temporary and, if so, recognize the other-than-temporary impairment in the statement of operations.	✓	<ul style="list-style-type: none"> <li>▶ We verified the cost and market value of investments through external confirmation and reviewed management's assessment of market value for potential impairment.</li> <li>▶ Based on our testing the County's investments are appropriately recorded and in compliance with their investment policy.</li> </ul>



Area of emphasis / critical accounting policy	Critical accounting policy? (Note 1)	Ernst & Young comments on quality and application of accounting policy, significant estimates, financial statement disclosures and related matters
<p><b>Expenses, and cut-off of year-end transactions</b></p> <p>In accordance with PSAS, expenses must be recorded in the period in which they are incurred, not in the period in which cash is paid.</p>		<ul style="list-style-type: none"> <li>▶ The County's policies related to the recording of expenses are appropriate under PSAS and consistent with those applied by other Alberta municipalities. Policies are unchanged from those applied last year.</li> <li>▶ Based on our testing of expenses and other audit procedures related to transactions occurring subsequent to the year end, we did not identify any issues related to recorded expenses and cut-off.</li> </ul>

**NOTE 1: Represents critical accounting policies included in notes to the financial statements**

## **Fraud considerations and the risk of management override**

We are responsible for planning and performing our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud (CAS 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.)

Our audit procedures encompassed the requirements of CAS 240: brainstorming, gathering information to facilitate the identification of and response to fraud risks and performing certain procedures to address the risk of management override, including examining journal entries, reviewing accounting estimates and evaluating the business rationale of significant unusual transactions. Although we have not identified a specific fraud risk in the current year we have examined journal entries, reviewed accounting estimates for management bias and evaluated the business rationale of significant unusual transactions as required by our professional standards. Based on the procedures performed there are no items that merit the attention of Council.



## Uncorrected misstatements

During the course of our audit, we accumulate differences between the amount, classification, presentation and disclosure of a financial statement item recorded or reported by the County and the amount, classification or presentation and disclosure that we believe is required to be recorded or reported under generally accepted accounting principles. Following is a summary of those misstatements we have identified through the date of this report that have not been corrected by the County.

	Account/description of disclosure Debit/ (Credit)	Assets \$	Liability \$	Income \$
1	Land impairment recorded in 2019 however the event giving rise to the impairment occurred prior to 2018			
	Loss on asset disposal	-	-	(933,000)
	<b>Understatement of income</b>			<b>(933,000)</b>

There are no remaining uncorrected misstatements that affect the statement of financial position of the County at December 31, 2019.

## Summary of significant disclosure deficiencies

During the course of our audit, we identify those significant disclosures required in the 2019 consolidated financial statements of the County, that we believe were not adequately reflected. There were no such disclosure differences noted during the completion of our audit that warrant the attention of Council.



## APPENDIX A

### REQUIRED COMMUNICATIONS

Area	Comments
<p><b>Auditor's responsibilities under Canadian GAAS, including discussion of the type of opinion we are issuing</b></p> <p>The financial statements are the responsibility of management. Our audit was designed in accordance with Canadian auditing standards to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.</p>	<p>Upon completion of our remaining audit procedures, we currently expect to issue an unqualified opinion on the County's financial statements as of and for the year ended December 31, 2019.</p>
<p><b>Overview of planned scope and timing</b></p> <p>We discuss with those charged with governance an overview of the planned audit scope and timing. These discussions are intended to assist those charged with governance in better understanding the consequences of the auditor's work for their oversight activities, discussing with the auditors issues of risk and materiality, and identifying any areas for which they may request the auditor to undertake additional procedures.</p>	<p>Communicated in our Audit Plan dated October 10, 2019.</p> <p>There were no significant changes in the planned scope and timing of our audit.</p>
<p><b>Our responsibility, any procedures performed or expected to be performed and the results relating to other information in documents containing audited financial statements</b></p> <p>Our responsibility to read the other information in documents containing audited financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.</p>	<p>We will read the County's Annual Report when it becomes available and if, based on the work we will perform on this other information, we identify any material misstatements in this other information, we will report this fact to you.</p>



Area	Comments
<p><b>Major issues discussed with management in connection with initial appointment or recurring retention</b></p> <p>We discuss with those charged with governance any major professional issues that were discussed (orally or in writing) with management in connection with our initial appointment or recurring retention as the auditor, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, the scope of the audit, financial statement disclosures and the wording of the auditor's report. We communicate those major professional issues we discussed with management, prior to our being hired as the auditors, and during the client's two most recently completed fiscal years and any subsequent interim period.</p>	<p>None.</p>
<p><b>Significant audit adjustments, including significant disclosure differences that merit the attention of those charged with governance</b></p> <p>We provide those charged with governance with information about adjustments and disclosure differences that merit the attention of those charged with governance arising from the audit (whether corrected or not) that could in our judgment, either individually or in the aggregate, have a significant effect on the County's financial statements.</p>	<p>There were no significant corrected audit adjustments or disclosure differences related to the 2019 audit.</p> <p>Refer to the "Uncorrected misstatements" section for uncorrected misstatements.</p>
<p><b>Uncorrected misstatements, including significant disclosure differences that merit the attention of those charged with governance, considered by management to be immaterial</b></p> <p>We inform those charged with governance about uncorrected misstatements accumulated by us (i.e., adjustments either identified by us or brought to our attention by management) during the current audit and pertaining to the latest period presented that were determined by management to be immaterial, both</p>	<p>Refer to the "Uncorrected misstatements" section.</p>



Area	Comments
individually and in the aggregate, to the financial statements as a whole.	
<p><b>Critical accounting policies and practices</b></p> <p>We communicate all critical accounting policies and practices used by the County in preparing the financial statements and our assessment of the disclosure of such policies.</p>	<p>We have provided our views in the section titled, "Critical policies, estimates and areas of audit emphasis."</p>
<p><b>Our judgments about the quality of the County's accounting principles</b></p> <p>We discuss our judgments about the quality, not just the acceptability, of the accounting policies as applied in the County's financial reporting, including the consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</p>	<p>We have provided our views in the section titled, "Critical policies, estimates and areas of audit emphasis."</p>
<p><b>The adoption of, or a change in, an accounting principle</b></p> <p>We determine that those charged with governance are informed about the initial selection of, and any changes in, significant accounting principles or accounting policies or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.</p>	<p>During the year, the County adopted Restructuring Transactions (PS3430). The adoption of the standard did not result in any impact on the County's financial statements.</p>
<p><b>Methods of accounting for significant unusual transactions and for controversial or emerging areas</b></p> <p>We determine that those charged with governance are informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>No significant unusual transactions other than the insurance proceeds related to the parkade event. We have provided our views in the section titled, "Critical policies, estimates and areas of audit emphasis."</p>



Area	Comments
	No significant accounting policies in controversial or emerging areas exist for which there is a lack of authoritative guidance or consensus.
<p><b>Sensitive accounting estimates</b></p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments.</p> <p>We determine that those charged with governance are informed about management's process for formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.</p>	<p>We have provided our views in the section titled, "Critical policies, estimates and areas of audit emphasis."</p>
<p><b>Material alternative accounting treatments discussed with management</b></p> <p>We discuss with those charged with governance all alternative accounting treatments within GAAP for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including:</p> <ul style="list-style-type: none"> <li>▶ Ramifications of the use of such alternative disclosures and treatments, including the reasons why the alternative was selected and, if management did not select our preferred alternative, the reasons why it was not selected.</li> <li>▶ The treatment preferred by us.</li> </ul>	<p>During fiscal 2019, there were no material alternative accounting treatments that required discussion with Management.</p>



Area	Comments
<p><b>Disagreements with management</b></p> <p>We discuss with those charged with governance any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the County's financial statements or the auditor's reports.</p>	None.
<p><b>Management's consultations with other accountants</b></p> <p>When we are aware that management has consulted with other accountants about auditing, accounting, or reporting matters, we discuss with those charged with governance our views about significant matters that were the subject of such consultation.</p>	None of which we are aware.
<p><b>Serious difficulties encountered in dealing with management when performing the audit</b></p> <p>We inform those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit.</p>	None.
<p><b>Fraud and non-compliance with laws and regulations (illegal acts)</b></p> <p>We communicate to those charged with governance fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.</p> <p>We also communicate other matters of non-compliance with laws and regulations that come to our attention during the audit, unless they are clearly inconsequential.</p>	We are not aware of any matters that require communication. Refer to the "Fraud considerations and risk of management override" section for more information about our procedures related to the risks of material misstatement due to fraud.



Area	Comments
<p><b>Other material written communications with, and representations sought from management</b></p> <p>We determine that those charged with governance have received copies of all material written communications with management, including representations requested from them related to uncorrected errors.</p>	<p>Copies of our annual audit engagement letters are available from the County or EY.</p> <p>A copy of the draft letter of representation is attached in Appendix B.</p>
<p><b>Independence matters</b></p> <p>We communicate, at least annually, the following to those charged with governance:</p> <ul style="list-style-type: none"> <li>▶ Describe, in writing, all relationships between Ernst &amp; Young and our associated entities and the County and its affiliates or persons in financial reporting oversight roles at the County that may reasonably be thought to bear on our independence; and</li> <li>▶ Discuss with those charged with governance the potential effects of those relationships on independence</li> </ul>	<p>We confirm that we are not aware of any relationships between the County and Ernst &amp; Young that, in our professional judgment, may reasonably be thought to bear on our independence.</p> <p>We would be pleased to discuss with Council any matters relating to our independence.</p>
<p><b>Other findings or issues regarding the oversight of the financial reporting process</b></p> <p>We communicate other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process.</p>	<p>There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.</p>



<p><b>Subsequent events</b></p> <p>We inquire of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements.</p>	<p>No subsequent event matters which we are aware of, except for those disclosed in the consolidated financial statements</p>
<p><b>Related party transactions</b></p> <p>The auditor shall communicate with those charged with governance significant matters arising during the audit in connection with the County's related parties.</p>	<p>None of which we are aware.</p>



## **APPENDIX B**

### **Draft Letter of Representation**

May 26, 2020

Ernst & Young LLP

In connection with your audit of the consolidated financial statements of Strathcona County (the "County") as of December 31, 2019 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the County in accordance with Canadian public sector accounting standards.

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and your audit was conducted in accordance with Canadian generally accepted auditing standards, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of May 26, 2020, which are true to the best of our knowledge and belief:

#### **Financial statements and financial records**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated July 26, 2019, for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge that, as members of management of the County, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations, and cash flows of the County in accordance with Canadian public sector accounting standards.



4. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
5. As members of management of the County, we believe that the County has a system of internal controls adequate to permit the preparation of accurate consolidated financial statements in accordance with Canadian public sector accounting standards,
6. We are not aware of any significant deficiencies in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since December 31, 2019.

### **Other information**

7. Other information comprises financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report, which is defined as a document, or a combination of documents, with the following characteristics:
  - (a) contains or accompanies the financial statements and our auditor's report thereon,
  - (b) is typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation or custom, and
  - (c) the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the entity's financial results and financial position as set out in the financial statements.
8. We are responsible for the other information and have informed you of all of the documents that we expect to issue that may comprise other information.
9. We intend to prepare and issue the Annual Report and will provide you with the final version of the other information when available. We will provide you with the other information prior to the issuance of the documents, so that you may complete your required procedures.

### **Non-compliance with laws and regulations, including fraud**

10. We acknowledge that we are responsible to determine that the County's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
11. We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud and error.
12. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.



13. We have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud, that may have affected the County (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the County’s consolidated financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated financial statements, but compliance with which may be fundamental to the operations of the County’s business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others

### Uncorrected misstatements

14. We believe that the effects of those uncorrected financial statement misstatements aggregated by you during your audit, as summarized below, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior year consolidated financial statements, we have evaluated the effect of correcting prior year consolidated financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the prior year consolidated financial statements taken as a whole.

	Account/description of disclosure Debit/ (Credit)	Assets \$	Liability \$	Income \$
1	Land impairment recorded in 2019 however the event giving rise to the impairment occurred prior to 2018			
	Loss on asset disposal	-	-	(933,000)
	Understatement of income			(933,000)



## Independence

15. We are not aware of any capital lease, material cooperative arrangement, or other business relationship between the County and Ernst & Young LLP or any other member firm of the global Ernst & Young organization
16. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the County's audit.

## Completeness of information

17. We have provided you with:
  - (a) Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters
  - (b) Additional information that you have requested from us for the purpose of the audit
  - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
18. We have made available to you all minutes of the meetings of Council and committees of Council (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on May 12, 2020.
19. We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
20. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
21. We confirm the completeness of the information provided regarding the identification of related parties. We have disclosed to you the identity of the County's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, commitments, guarantees, non-monetary transactions and transactions for no consideration for the year ended December 31, 2019, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.



## **Recognition, measurement and disclosure**

22. We believe that the significant assumptions underlying accounting estimates, including those measured at fair value, and disclosures used in the preparation of the consolidated financial statements are reasonable and appropriate in the circumstances.
23. We have no plans or intentions that may materially affect the carrying value of assets and liabilities reflected in the **consolidated** financial statements.

## **Risks and measurement uncertainties**

24. We have disclosed the assumptions we have made about the future, and all other major sources of estimation uncertainties, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## **Ownership of assets**

25. The County has satisfactory title to all assets appearing in the consolidated statement of financial position, and there are no liens or encumbrances on the County's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the County has satisfactory title appear in the consolidated statement of financial position.

## **Receivables and revenues**

26. Receivables represent valid claims against the debtors indicated. All revenue recognized as of the statement of financial position date has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) service rendered, (3) consideration to be received is fixed or determinable, and (4) collectability is reasonably assured.
27. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the consolidated statement of financial position date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that date.

## **Financial instruments**

28. We have evaluated if there are indicators of impairment for all financial assets measured at cost or amortized cost, and where there has been a significant adverse change in the expected timing or amount of future cash flows from a financial asset or group of similar financial assets, we have assessed if a reduction in the carrying value is necessary. When an impairment is necessary, the carrying amount of the asset, or group of assets have been reduced to the highest of the cash flows expected to be generated by holding the asset, the amount that could be realized by selling the asset, and the amount the entity expects to realize by exercising any right to collateral held to



secure repayment of the asset net of all costs necessary to exercise those rights. The amount of the impairment has been included annual surplus.

### **Arrangements with financial institutions**

29. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the consolidated financial statements.

### **Investments in subsidiaries**

30. We have appropriately consolidated all not-for-profit organizations for which we directly or indirectly have a controlling financial interest. The method has been applied consistently to all subsidiaries.

### **Tangible capital assets**

31. All charges to capital asset accounts during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.
32. All tangible capital assets sold or dismantled during the year have been properly accounted for in the accounts.
33. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.
34. No events or changes in circumstances of the tangible capital assets have occurred that indicate the assets no longer have any long-term service potential to the County. Our estimates of future service potential are based on reasonable and supportable assumptions regarding the expected use of the assets.
35. We have identified assets that no longer have any long-term service potential to the County. The excess of the net carrying amount over the residual values of these assets has been recognized as an expense in the statement of operations.

### **Events of default under debt agreements**

36. No events of default have occurred with respect to any of the County's debt agreements.

### **Liabilities and contingencies**

37. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.



- 38. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
- 39. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.
- 40. All liabilities have been discounted to reflect the time value of money, where such effect is material.
- 41. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.
- 42. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

### **Oral or written guarantees**

- 43. There are no oral or written guarantees, including guarantees of the debt of others.

### **Purchase commitments**

- 44. At the year end, the County had no commitments that involve a high degree of speculative risk, when the taking of such risks is not inherent in the nature of the business, or commitments to make expenditures that are abnormal in relation to the financial position or usual business operations. (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

### **Employee future benefits**

- 45. We have disclosed to you all significant pension benefits, other retirement and post-employment benefits (as defined in CPA Canada Handbook Section 3462) promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes, that constitute the plan.

### **Contributions**

- 46. All contributions received were complete and appropriately classified and administered according to the restrictions specified by the contributor.



## **Consolidated accounts**

47. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (intercompany profits in inventories and property, plant and equipment, intercompany balances, etc.).

## **Going concern**

48. We have made an assessment of the County's ability to continue as a going concern.

## **Use of the work of a specialist**

49. We agree with the findings of specialists in evaluating the property tax revenue and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## **Subsequent events**

50. Subsequent to December 31, 2019, except as disclosed in the consolidated financial statements, no events or transactions have occurred or are pending that would have a material effect on the consolidated financial statements at that date or for the period then ended, or that are of such significance in relation to the County's affairs to require mention in a note to the consolidated financial statements in order to make them not misleading regarding the consolidated financial position, results of operations, and cash flows of the County.

## **Comparative figures**

51. In connection with your audit of the comparative consolidated financial statements for the year ended December 31, 2018 we represent, to the best of our knowledge and belief, the following:

- There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the consolidated financial statements for the year ended December 31, 2018 which are shown as comparative amounts in the consolidated financial statements for the year ended December 31, 2019. Any differences in the comparative amounts from the amounts in the consolidated financial statements for the year ended December 31, 2018 are solely the result of reclassifications for comparative purposes.



---

Gregory J. Yeomans, Chief Financial Officer

---

Date

---

Laura Probst, Director, Corporate Finance

---

Date

---

Andrew Hayes, Manager, Financial Reporting

---

Date