

April 19, 2018

Summer Village of Sandy Beach
RR 1, Site 1, Comp 63
Onoway, AB
T0E 1V0

Attention: Village Council Members

Dear Council Members:

RE: 2017 AUDIT

The purpose of this communication is to summarize certain matters arising from the audit that we believe would be of interest to Village Council. Additionally, during the course of our audit we identified matters that may be of interest to management.

This communication should be read in conjunction with the financial statements and our report thereon, and it is intended solely for the use of the Council and should not be distributed to external parties without our prior consent. Metrix Group LLP accepts no responsibility to a third party who uses this communication.

AUDITOR RESPONSIBILITIES

It is important for the Council to understand the responsibilities that rest with the Summer Village of Sandy Beach (the "Village") and its management and those that belong to the auditor in relation to the financial statement audit.

Our audit of the Village's financial statements was performed in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Village in accordance with Canadian public sector accounting standards.

Accordingly, we planned and performed our audit to provide reasonable, but not absolute, assurance of detecting fraud and errors that have a material effect on the financial statements taken as a whole, including illegal acts whose consequences have a material effect on the financial statements.

The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Canadian generally accepted auditing standards does not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate to Council. Accordingly, our audit would not necessarily identify all such matters that may be of interest to the Council and management and it is inappropriate to conclude that no such matters exist.

MANAGEMENT RESPONSIBILITIES

Management is responsible for the preparation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDIT APPROACH

In gathering our audit evidence, we utilized a *substantive approach* to the audit of the Village. This approach allowed us to issue an audit opinion on the financial statements in the most cost-effective manner, while still obtaining the assurance necessary to support our audit opinion. In performing our audit, our work focused on, but was not limited to, areas that we believed had a higher risk of being materially misstated. A substantive approach is more appropriate when an entity processes a relatively low volume of transactions and may not have strong internal controls due to limited segregation of duties. In obtaining the required audit evidence to support our report, we did not place reliance on any internal controls that may exist at the Village.

MATERIALITY

Materiality in an audit is used as a guide for planning the nature and extent of audit procedures and for assessing the sufficiency of audit evidence gathered. It is also used in evaluating the misstatements found and determining the appropriate audit opinion to express.

A misstatement, or the aggregate of all misstatements in financial statements, is considered to be material if, in the light of surrounding circumstances, it is probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities (the user), would be changed or influenced by such misstatement or the aggregate of all misstatements. The materiality decision ultimately is based on the auditors' professional judgment.

The auditors' determination of materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements. In planning our audit, we have concluded that a materiality level of 2% of expenses is appropriate. However, we anticipate that management will record any adjustments that we propose that are of a non-trivial nature.

SIGNIFICANT FINDINGS FROM THE AUDIT

Our objective is to communicate appropriately to Council and management deficiencies in internal control that we have identified during the audit and that, in our professional judgment, are of sufficient importance to merit being reported to Council. The audit findings contained in this letter did not have a material effect on the Village's financial statements, and as such, our audit report is without reservation with respect to these matters.

Significant Deficiencies in Internal Control

During the majority of 2017, the Village bank account(s) were not being reconciled. We noted that most of the cheques processed during the year were recorded in the accounting system but many other items were not recorded at all. As discussed with you previously, our staff was required to analyze the banking transactions for the entire year and make the necessary adjustments to correct for missing items. Reconciliation of the Village bank accounts on a timely basis is a key control to ensure that only valid items are clearing the Village accounts as well as ensuring the accounting records are accurate. We recommend the reconciliation be completed no later than one month after the month-end.

We are normally required to make several adjustments (31 this year) to ensure the Village's accounting records are not materially misstated. This type of accounting assistance is common with our smaller local government clients and we do not mind providing this assistance. However, if the Village was to make these adjustments prior to the start of the audit this would reduce our time in completing the audit as well as providing more accurate financial reporting throughout the course of the year.

Significant Difficulties Encountered During the Audit

Other than the matter in the first paragraph of the preceding section, we encountered no significant difficulties during our audit that should be brought to the attention of Council.

Significant Qualitative Aspects of Accounting Practices

Management is responsible for determining the significant accounting policies. The choice of different accounting policy alternatives can have a significant effect on the financial position and results of the Village. The application of those policies often involves significant estimates and judgments by management.

We are of the opinion that the significant accounting policies, estimates and judgments made by management, and financial disclosures do not materially misstate the financial statements taken as a whole.

Uncorrected Misstatements

There were no uncorrected misstatements aggregated by our Firm for the year ended December 31, 2017.

Management Representations

Management's representations are integral to the audit evidence we will gather. Prior to the release of our report, we will require management's representations in writing to support the content of our report.

OTHER MATTERS

Cash Management

At December 31, 2017, the Village had invested only \$14,054 in Guaranteed Investment Certificates while approximately \$1.2 million was held in 31 and 91 day Notice on Demand accounts. The Village earned an average return of approximately 1.1% on its cash balances during 2017.

In our experience with other clients, we have noticed that GICs generally outperform Notice on Demand accounts. The Village may want to consider discussing what the best options are with its financial institution to ensure it is maximizing returns on cash balances. Furthermore, funds that are not required in the near term could be invested in products with a longer maturity date in order to improve yields.

Goods and Services Tax

We noted the Village has not filed its semi-annual GST Public Service Bodies' Rebate for 2015, 2016, and 2017.

We recommend the rebate applications be filed as soon as possible.

Payroll

Timesheets

Previously, for several years, we noted there is no evidence that employee timesheets have been reviewed / approved prior to payment being processed.

In order to provide evidence that this control / procedure has been performed, we continue to recommend that the CAO review / approval of timesheets be evidenced with a signature and / or initial and date of review.

T4 Return

We noted the Village did not file its 2017 T4 Return by the February 28, 2018 deadline.

We recommend procedures be put in place to ensure future T4 Returns are filed prior to the deadline.

Filing

The Village was unable to provide us with a copy of the 2017 approved budget and the MSI Operating Spending Plan.

We recommend the Village filing system be revisited to ensure these items are available in the future.

AUDITOR INDEPENDENCE

We believe it is important that we communicate, at least annually, with you regarding all relationships between the Village and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by Chartered Professional Accounts Alberta and applicable legislation, covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;

- (c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- (d) economic dependence on a client; and
- (e) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the Village and ourselves that, in our professional judgment, may reasonably be thought to bear on our independence that have occurred from January 1, 2017 – April 19, 2018.

We wish to express our appreciation for the co-operation we received during the audit from the Village staff.

Yours truly,

METRIX GROUP LLP



Philip J. Dirks, CPA, CA
Partner

DRAFT