

April 16, 2020

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

Attention: Village Council Members

Dear Council Members:

RE: 2019 AUDIT FINDINGS LETTER

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.

The objective of the audit was to obtain reasonable assurance that the financial statements are free of material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. An audit is not designed for the sole purpose of identifying matters to communicate. Accordingly, the audit would not necessarily identify all such matters that may be of interest to Council and management and it is inappropriate to conclude that no such matters exist.

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.

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

Previously we had noted the Village bank account(s) were not being reconciled. Again in 2019, our staff was required to analyze the banking transactions for the entire year and make the necessary adjustments to correct for unrecorded transactions.

The timely reconciliation of the Village bank accounts 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 continue to recommend that bank reconciliations be completed no later than one month after month-end.



Furthermore, we are normally required to make several adjustments (17 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 matters note in the preceding section, we encountered no significant difficulties during our audit that should be brought to the attention of Council. We had the full co-operation of Village management and staff throughout our work and we received full access to all necessary records and documentation.

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, 2019.

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

Return on investment

At December 31, 2019, the Village had invested approximately \$1.28 million in 31-day and 91-day Notice on Demand accounts.

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.

Stale-Dated Cheques

We noted a group of cheques issued from 2017 and 2018 (#8921, #8951, #8962 and #9329) are still outstanding as of December 31, 2019.

We recommend these items be investigated to determine if cheques need to be reissued or not.

Payroll

Timesheets

Previously we note there was no evidence that employee timesheets had been reviewed / approved prior to payment being processed.

We are pleased to report that time sheets showed evidence of review and approval in the 2019 year.

Accounts Payable

Invoices

As we have noted previously, there is currently no evidence that supplier invoices 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 the CAO sign and / or initial all supplier invoices as evidence of review / approval for payment.

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 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, 2019 – April 16, 2020.

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

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