

March 29, 2023

Mayor & Council  
Town of Kerrobert  
Box 558  
Kerrobert, SK  
S0L 1R0

Dear Mayor and Council:

**Re: Audit Findings**

This letter has been prepared to assist you with your review of the financial statements of the Town of Kerrobert for the period ending December 31, 2022.

**Audit Status**

We have completed the audit of the financial statements, with the exception of the following items:

1. Receipt of signed engagement letter, representation letter and management responsibility letters. We understand this will be completed at the Council meeting on Wednesday, March 29<sup>th</sup>, 2023.
2. Obtaining evidence of the Council's approval of the financial statements;

Once these items have been completed, we will date and sign our auditor's report.

**Significant Matters Arising**

We would like to note that the 2022 year had another substantial investment in capital assets during the year (additions amounting to \$2,497,873). As a result of the significant investment in infrastructure in recent years, you may note that net financial assets (debt) have decreased again from a debt of \$2,623,116 at 2021 year-end to a debt of \$3,509,811. This indicates that there would be more financial liabilities than assets at year-end. However, of the liabilities that exist, \$3,507,368 relate to long-term debt, of which have expected principal and interest payments of \$601,139 in 2023. The past year focused a lot on inflation and interest rates. The Town is in a good position with the two large loans outstanding featuring fixed interest rates until their maturity in 2031. Currently, these rates are quite favourable compared to current market terms. Two smaller loans also feature fixed interest rate, and only one having a variable interest rate.

We also would like to note that all reserve balances are "fully funded" with cash balances representing the surplus that has been earmarked for future expenditures.

Year-end actual figures again came close to budgeted figures for standard operations, when considering the budget did not reflect the approximately \$320,000 of amortization due to preparing a cash budget. After considering that adjustment, as is noted on statement 2, budgeted surplus before other capital contributions was \$804,100 (which would have been \$484,100 if amortization was included), and actual surplus result was \$254,300. The further increase in surplus over these figures relates to the various capital grants received.

### **Significant Matters Arising (continued)**

We appreciated the continuing assistance during the audit field work and subsequent follow-up that was offered from all staff at the Town. We have been pleased to see that despite having various large projects ongoing over a few years that the operations and ongoing budgeting and fiscal oversight appears to be the strongest since our office has started working with the Town. We appreciate Tara's time and effort into the financial systems that produce the reports for Council to review, and ultimately for the ratepayers.

### ***Other Matters***

We have not identified any other significant matters that we wish to bring to your attention at this time.

### **Significant Difficulties Encountered**

There were no significant difficulties encountered during our audit.

### **Comments on Accounting Practices**

#### ***Accounting Policies***

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- There were no significant changes in accounting policies.
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.

#### ***Significant Accounting Estimates***

Still outstanding is the Waste Water Treatment Plant project. The status of this project is uncertain, and as such, the project is still being shown as an, "Asset under construction", on schedules 6 and 7. Once more certainty is known about any further amounts to be received relating to claims in progress, this will be able to be settled and moved to the proper asset class as is deemed appropriate.

#### ***Significant Financial Statement Disclosures***

Disclosures are as recommended by the Ministry of Government Relations, with additional disclosure as is required by the Public Sector Accounting Standards.

### **Significant Deficiencies in Internal Control**

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of the Council.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies.

### **Written Representations**

In a separate communication we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards.

### **Other Audit Matters of Governance Interest**

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings letter will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This letter was prepared for the sole use of the Mayor and Council of the Town of Kerrobert. to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

Yours truly,

**JENSEN STROMBERG CHARTERED PROFESSIONAL ACCOUNTANTS**

Jared Udchic, CPA