

Town of Minnedosa
Report to Council
For the Year Ending December 31, 2017

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November 13, 2018

Members of Council
Town of Minnedosa

Dear Sirs/Mesdames:

We are pleased to submit to you this report for discussion of our audit of the consolidated financial statements of Town of Minnedosa (the "Town") as at December 31, 2017 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of Council.

THE AUDIT

Our responsibility, as auditor of the Town, is to report to the Council on the fair presentation of the December 31, 2017 consolidated financial statements, in accordance with Canadian public sector accounting standards. To properly discharge this responsibility, we designed our audit process to assess the risk of material misstatement within the statements by examining and assessing the effectiveness of the Town's controls and accounting systems, and the evidence supporting the amounts and disclosures in the statements, including the appropriateness of accounting principles and significant estimates made by management.

We have considered the Town's internal controls as part of the consolidated financial statement audit. This included obtaining an understanding of the internal controls (regardless of whether we intended to rely on them for the purpose of our audit); evaluating the design of these controls; and determining whether they have been implemented. This understanding was sufficient to allow us to identify and assess the risks of material misstatement of the consolidated financial statements and to design and perform audit procedures.

Our audit procedures, consisting of separate examination of each material year-end balance, key transaction, and other event considered significant to the consolidated financial statements, were concentrated in areas where risks were identified, and therefore, differences were most likely to arise.

Management has provided us with written representations, acknowledging, among other things, their responsibility for the implementation and maintenance of appropriate reporting systems and controls, including those designed to detect and prevent fraud, and to ensure the appropriateness of the amounts recorded in the accounting records, and the amounts and disclosures in the consolidated financial statements.

AUDITOR INDEPENDENCE

We confirm to Council that we are independent of the Town. Our letter to Council discussing our independence is attached to this report.

AUDITORS' REPORT ON COMPLIANCE WITH MUNICIPAL ACT AND WITH AGREEMENT

For your information, we have included the Auditors' Report on Compliance with the Act as required by Section 190(2) of the Municipal Act as Appendix A.

For your information, we have included the Federal Gas Tax Revenue Annual Expenditure Report and Auditors' Report on Compliance with Agreement as Appendix B.

AUDIT RESULTS

We have satisfactorily completed our audit and are prepared to sign our Auditors' Report after Council's review and approval of the consolidated financial statements. A substantive approach was used in auditing the Town's consolidated financial statements; thus, the Town's controls were not relied upon.

Final materiality calculated and used to assess the significance of misstatements or omissions identified during the audit and determine the level of audit testing performed was \$125,000.

The Auditors' Report will provide a qualified opinion to the Council. Key matters noted during our audit are summarized in the table below.

Subjects	December 31, 2017	December 31, 2016
<ul style="list-style-type: none"> Material uncertainties related to events or conditions that may cast significant doubt on entity's ability to continue as a going concern 	None	None
<ul style="list-style-type: none"> Illegal or fraudulent acts 	None noted	None noted
<ul style="list-style-type: none"> Non-compliance with laws and regulations 	Unauthorized Utility Operating deficit of \$109,424	Unauthorized General Operating deficit of \$419,702
<ul style="list-style-type: none"> Fraud by employees/management with key roles in control activities 	None noted	None noted
<ul style="list-style-type: none"> Differences that may: <ul style="list-style-type: none"> Have a material effect on comparative information and the current period consolidated financial statements Cause future statements to be materially misstated Indicate significant deficiencies in controls 	None	None
<ul style="list-style-type: none"> Irregularities having a material consolidated financial statement effect 	None	None
<ul style="list-style-type: none"> Limitations placed on the scope of our audit 	None	None
<ul style="list-style-type: none"> Significant transactions not in the ordinary course of business, or other unusual related party transactions 	None noted	None noted
<ul style="list-style-type: none"> Unusual significant transactions given the entity and its environment 	None	None
<ul style="list-style-type: none"> Non-monetary transactions 	None noted	None noted
<ul style="list-style-type: none"> Transactions that increase risk 	None	None
<ul style="list-style-type: none"> Concerns with management breach of corporate conduct 	None	None
<ul style="list-style-type: none"> Conflicts of interest 	None	None
<ul style="list-style-type: none"> Disagreements with management 	None	None

Subjects	December 31, 2017	December 31, 2016
<ul style="list-style-type: none"> Emphasis of matter or other matter paragraph included in the Auditors' Report 	Basis for Qualified Opinion paragraph included	Basis for Qualified Opinion paragraph included
<ul style="list-style-type: none"> Matters influencing audit appointment 	None	None
<ul style="list-style-type: none"> Difficulties encountered during the audit 	None	None
<ul style="list-style-type: none"> Disagreements with management's accounting estimates 	None	None
<ul style="list-style-type: none"> Disagreements with management's adoption of accounting policies or emphasis on the need for a particular accounting treatment 	None	None
<ul style="list-style-type: none"> Significant deficiencies in the entity's risk assessment process within the design and/or implementation of controls 	None	None
<ul style="list-style-type: none"> Significant deficiencies in controls resulting from inappropriate response by management regarding implementing controls over significant risks 	None	None
<ul style="list-style-type: none"> Matters giving rise to questions regarding the honesty and integrity of management 	None	None

All significant management estimates were reviewed and no material differences were noted. The methodologies and processes used by management were consistent with prior periods. We will issue a letter to management containing our comments with respect to accounting matters and enhancement of controls.

During the course of our audit, we noted the following significant deficiencies in internal controls:

GST ITC's

Observation:

GST is being recorded incorrectly.

During the audit it was noted that GST was claimed on an expense that has no GST.

Impact:

This can result in unexpected tax expenses should the entity's GST records ever be audited.

Recommendation:

The GST recorded in the entity's records should match the GST on the invoice being recorded.

Timesheets

Observation:

During the course of the audit it was noted that not all employee timesheets were signed.

Impact:

This allows employees to be paid for time that they may not have actually worked.

Recommendation:

Timesheets should be signed by management or Council for each employee.

Cheque Sequencing

Observation:

During the course of the audit it was noted that not all cheques are being approved in the minutes.

Impact:

Not including all of the cheques in the list of accounts to be approved by Council can devalue the integrity of the numerical sequence of the cheques.

Recommendation:

We recommend that all cheques be included in the minutes as approved so as to ensure Council is aware of and approves all payments issued by the Municipality.

Pay Rates

Observation:

During the course of our testing it was noted that one employee was not being paid the approved pay rate.

Impact:

This results in additional expenses not anticipated or budgeted for by Council and creates an opportunity for misappropriation of funds.

Recommendation:

We recommend that the pay rates entered in the system be reviewed and compared to those approved for accuracy.

There were no unadjusted differences of any significance noted.

We would like to take this opportunity to formally acknowledge the excellent cooperation and assistance we received from the management and staff of the Town.

The matters raised in this and other reports that will flow from the audit are only those which have come to our attention arising from, or relevant to, our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for, and is not intended for, any other purpose.

We appreciate having the opportunity to meet with you and respond to any questions you may have about our audit, and to discuss any other matters that may be of interest to you.

Sincerely,

MNP LLP

Chartered Professional Accountants

/s
encls.

Appendix A – Auditors’ Report on Compliance with Municipal Act

To the Elected Officials of the Town of Minnedosa:

We have audited the Municipality’s compliance as at December 31, 2017 with the criteria established by the Manitoba Municipal Government, and as required by Section 190(2) of the Manitoba Municipal Act. Compliance with the criteria established by the provisions of the Act is the responsibility of the management of the Municipality. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Municipality complied with the criteria established by the provisions of the Act referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, evaluating the overall compliance with these criteria, and where applicable, assessing the accounting principles used and significant estimates made by management.

Except for the utility operating deficit of \$109,424 which was not authorized as reported in Schedule 14 of the 2017 Consolidated Financial Statements, in our opinion, as at December 31, 2017, the Municipality is in compliance, in all material respects, with the other criteria established by Section 190 (2) of the Municipal Act.

This report is not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Brandon, Manitoba,
November 13, 2018

MNP LLP

Chartered Professional Accountants

cc: Mr. Nick Kulyk, Acting Director
Manitoba Municipal Government
508-800 Portage Avenue
Winnipeg, MB R3G 0N4

Auditors' Report on Compliance With Agreement

To the Members of the Council of the Town of Minnedosa

We have audited the Town of Minnedosa's compliance as at December 31, 2017 with the criteria established by the terms and conditions of Part 6.1(a)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement for the Transfer of Federal Gas Tax Revenues between the Province of Manitoba and Town of Minnedosa. Compliance with the criteria established by the provisions of the agreement is the responsibility of the management of the Town of Minnedosa. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, the Federal Gas Tax Revenue Annual Expenditure Report presents fairly, in all material respects, the funding and expenditures for the year ended December 31, 2017 in compliance with the provisions of Part 6.1(a)-(c) and Schedules 1 and 2 of the Manitoba-Municipal Gas Tax Funding Agreement.

Brandon, Manitoba,
November 13, 2018

MNP LLP

Chartered Professional Accountants

cc: Mr. Nick Kulyk, Acting Director
Manitoba Municipal Government
508-800 Portage Avenue
Winnipeg, MB R3G 0N4

TOWN OF MINNEDOSA
FEDERAL GAS TAX REVENUE ANNUAL EXPENDITURE REPORT
YEAR ENDED DECEMBER 31, 2017

	ANNUAL	CUMULATIVE
Unspent Fund Balance, beginning of year	\$584,670	\$ NIL
Received from Province of Manitoba	141,411	1,440,594
Interest Earned	9,888	45,813
Less: Administrative Costs		
Expenditures on Eligible Projects		
Main Per Capita Projects	(182,236)	(932,674)
Small Communities Trans Projects		
Subtotal		(932,674)
Unspent Fund Balance, end of year	\$ 553,733	\$ 553,733
Unspent balance consists of:		
Cash	734,401	
Due to/(due from)	(180,668)	
Unspent Fund Balance, end of year	\$ 553,733	

November 13, 2018

Council
Town Of Minnedosa
Box 426
Minnedosa, MB R0J 1E0

Dear Sirs/Mesdames:

We have been engaged to audit the consolidated financial statements of Town of Minnedosa ("the Town") as at December 31, 2017 and for the year then ended.

CAS 260 *Communication With Those Charged With Governance* requires that we communicate with you matters that are significant to our engagement. One such matter is relationships between the Town and its related entities or persons in financial reporting oversight roles at the Town and MNP LLP and any affiliates ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence. In determining which relationships to report, the Standard requires us to consider relevant rules and related interpretations prescribed by the appropriate professional accounting body 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 or a related entity;
- (c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or a related entity;
- (d) Economic dependence on a client; and
- (e) Provision of non-assurance services in addition to the audit engagement.

We are not aware of any relationship between the Town and MNP that, in our professional judgment, may reasonably be thought to bear on our independence, which have occurred from January 1, 2017 to November 13, 2018.

We hereby confirm that MNP is independent with respect to the Town within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Manitoba as of November 13, 2018.

The total fees charged to the Town for audit services were \$20,000.00 during the period from January 1, 2017 to November 13, 2018.

This report is intended solely for the use of Council, management and others within the Town and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Sincerely,

MNP LLP

Chartered Professional Accountants

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