



Reporting

The Crowe Valley Conservation Authority

For the year ended December 31, 2021

Report to The Board of Directors
Audit strategy and results

Purpose of report and scope

The purpose of this report dated June 16, 2022 is to engage in an open dialogue with you regarding our audit of the financial statements of The Crowe Valley Conservation Authority (the "Authority") for the year ended December 31, 2021. This communication will assist you in understanding our overall audit strategy and results. The information in this document is intended solely for the information and use of the Board of Directors and should not be distributed to other parties.

The purpose of our audit, our responsibilities and your responsibilities were communicated to you in our signed engagement letter dated April 21, 2021.

We were engaged to provide the following deliverables:

- Audited financial statements

Audit approach

Our audit approach involves identifying and assessing risks of material misstatement of the financial statements, whether due to fraud or error. Misstatements, including omissions, are material if they could reasonably be expected to influence the economic decisions made by users based on the financial statements. Ultimately, materiality is a measure of the significance of items to financial statement users, taking both quantitative and qualitative considerations into account. Without this concept, auditors would need to verify every transaction, which would not generally be practical, useful or cost effective. We apply a materiality threshold as a basis for focusing our audit work and, ultimately, to determine what matters will be brought to your attention and what adjustments need to be made to the financial statements.

The greater the risk of material misstatement associated with an area of the financial statements, the greater the audit emphasis placed on it in terms of verification. Where the nature of a risk is such that it requires special audit consideration, it is classified as a significant risk.

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with you.

Status of our audit

We have substantially completed our audit of the financial statements of the Authority and the results of that audit are included in this report. We will finalize our report upon resolution of the following items that are outstanding as at June 16, 2022:

- Receipt of signed management representation letter
- Approval of the financial statements by The Board of Directors

Audit results

Area of focus	Matter, response and findings
Significant risk: fraud via management override of internal control	<p>Per the Canadian auditing standards, this is a presumed significant risk. The risk relates to management's ability to override the controls surrounding financial reporting in order to report improved financial results, manipulate particular financial statement areas, or perpetrate other financial fraud.</p> <p>Our audit procedures included testing journal entries, testing and analyzing significant accounting estimates for evidence of management bias, and reviewing significant transactions outside the normal course of business. Our audit procedures did not uncover any significant issues.</p>
Significant risk: fraud in revenue recognition	<p>Per the Canadian auditing standards, there is a presumed significant risk of fraud in revenue recognition. The risk is presumed to apply because past history indicates that, in financial statement frauds, revenue is an area that is commonly manipulated.</p> <p>Our audit procedures included testing revenue-related journal entries, determining that revenue recognition policies were reasonable based on the accounting standards followed by the Authority, and were consistently applied, and performing tests of details. Our audit procedures did not uncover any significant issues.</p>
Accounting practices	<p>As part of our audit, we considered the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The accounting practices applied are consistent with those applied in the prior year and appear to be appropriate based on the Authority's circumstances.</p>

We are required to report to you all significant findings from our audit, including identified or suspected fraud, non-compliance with laws or regulations, unreasonable requests by management not to send confirmation requests, major adjustments to opening balances, related party matters, going concern issues and significant audit difficulties encountered. Our audit did not identify any significant findings other than those included in the table above.

Corrected misstatements

Our audit identified the adjusted misstatements noted in the attached schedule which have been reflected in the audited financial statements.

Uncorrected misstatements

Our audit identified the unadjusted non-trivial misstatements noted in the attached schedule which have not been adjusted because you consider them to be immaterial, both individually and in aggregate.

Other matters

Internal control

We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to The Board of Directors those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Based on the results of our audit, we did not identify any reportable observations.

Independence

We have a rigorous process where we continually monitor and maintain our independence. We have identified no information regarding our independence that in our judgment should be brought to your attention.

A self-review threat exists in relation to the audit due to the fact that, in addition to performing the audit engagement, we draft the financial statements and propose journal entries. This threat is mitigated by ensuring that you understand, take responsibility for and approve the financial statements and journal entries.

Technical updates

We are not aware of any upcoming changes to auditing or accounting standards that are likely to have a significant impact on the Authority's financial reporting or the audit requirements.

The Crowe Valley Conservation Authority**DFC1****Year End: December 31, 2021****Adjusting Journal Entries****Date: 1/1/2021 To 12/31/2021**

Number	Date	Name	Account No	Debit	Credit
1	12/31/2021	Land improvements - A/A	1645		118.62
1	12/31/2021	Buildings - A/A	1655		5,867.00
1	12/31/2021	Furniture, tools and equipment -A/A	1665		974.50
1	12/31/2021	Automotive equipment - A/A	1675		5,962.00
1	12/31/2021	Computer hardware/software-A/A	1685		2,086.26
1	12/31/2021	Infrastructure - A/A	1695		15,713.00
1	12/31/2021	Amortization	5900	30,721.38	
		To record amortization for the year.			
2	12/31/2021	Deferred Revenue	2600		2,493.10
2	12/31/2021	Deferred Revenue	2600		1,416.25
2	12/31/2021	Deferred Revenue	2600		29,899.79
2	12/31/2021	Source Water Protection	4160-0003	29,899.79	
2	12/31/2021	MNR Funding	4240-0007	1,416.25	
2	12/31/2021	MNR Low Water Funding	4250-0002	2,493.10	
		To adjust deferred revenue.			
3	12/31/2021	Land improvements	1640	3,561.62	
3	12/31/2021	Furniture, tools and equipment	1660	2,238.72	
3	12/31/2021	Furniture, tools and equipment	1660	2,912.76	
3	12/31/2021	Furniture, tools and equipment	1660	2,912.73	
3	12/31/2021	Furniture, tools and equipment	1660	783.55	
3	12/31/2021	Furniture, tools and equipment	1660	1,428.67	
3	12/31/2021	Furniture, tools and equipment	1660	28,687.07	
3	12/31/2021	Operations Capital Expense	5220-0002		2,238.72
3	12/31/2021	Operations Capital Expense	5220-0002		1,428.67
3	12/31/2021	Operations Capital Expense	5220-0002		28,687.07
3	12/31/2021	Repairs & Maintenance	5550-0001		2,912.76
3	12/31/2021	Repairs & Maintenance	5550-0001		2,912.73
3	12/31/2021	Repairs & Maintenance	5550-0001		783.55
3	12/31/2021	Dam operations	5680-0002		3,561.62
		To reallocate capital assets.			
4	12/31/2021	Accrued liabilities	2140		5,011.92
4	12/31/2021	Wages	5410-0001	1,816.82	
4	12/31/2021	Wages	5410-0002	949.76	
4	12/31/2021	Wages	5410-0003	301.22	
4	12/31/2021	Wages	5410-0004	1,691.52	
4	12/31/2021	Wages	5410-0005	48.11	
4	12/31/2021	Wages	5410-0006	36.09	
4	12/31/2021	Wages	5410-0007	36.09	
4	12/31/2021	Wages	5410-0008	132.31	
		To adjust accrued liabilities.			

The Crowe Valley Conservation Authority**DFC1-1**

Year End: December 31, 2021

Adjusting Journal Entries

Date: 1/1/2021 To 12/31/2021

Number	Date	Name	Account No	Debit	Credit
PBC1	12/31/2021	HST rebate - Federal portion	1162	143.07	
PBC1	12/31/2021	HST rebate - Provincial portion	1164	178.58	
PBC1	12/31/2021	Accounts payable - other	2105		3,533.82
PBC1	12/31/2021	Operations Capital Expense	5220-0002	1,429.52	
PBC1	12/31/2021	Travel & Professional Development	5520-0002	1,424.65	
PBC1	12/31/2021	General Expense - Other	5700-0001	58.00	
PBC1	12/31/2021	General Expense - Other	5700-0002	300.00	
To record December transactions included on January Visa statement. (Amanda, you dont have to touch the original entry. Just make this entry in December and then reverse it in January).					
PBC2	12/31/2021	Accounts payable - other	2105		600.00
PBC2	12/31/2021	Levies - Operations	4100-0002	600.00	
To adjust overpayment Faraday Township's levy payment to be used towards their 2022 levy.					
				116,201.38	116,201.38

Net Income (Loss) 211,573.15

The Crowe Valley Conservation Authority

Year End: December 31, 2021

Schedule of Unadjusted Errors

DFC6

Refno	Description	Assets	Liabilities	Equity	Income	Expenses	Annotation
Unrecorded - factual							
PAJE1	To adjust Shaman Power revenue due	3,709.55	0.00	1,320.11	(5,029.66)	0.00	
		<u>3,709.55</u>	<u>0.00</u>	<u>1,320.11</u>	<u>(5,029.66)</u>	<u>0.00</u>	
	Understated/(Overstated)	<u>3,709.55</u>	<u>0.00</u>	<u>1,320.11</u>	<u>(5,029.66)</u>	<u>0.00</u>	