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April 12, 2024

Members of the Council
R. M. of Wallace No. 243
26 Fifth Ave. N.
Yorkton Saskatchewan S3N 0Y8

Re: Audit of the Financial Statements of R. M. of Wallace No. 243

Dear Sirs:

We have been engaged to express an audit opinion on the financial statements of R. M. of Wallace No. 243 ("the municipality") for the year ended December 31, 2023. We have completed our audit and are pleased to report on the following items.

The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Council. This report should be read in conjunction with the final financial statements and our report thereon, as well as our Audit Planning letter previously forwarded to you.

Independent Auditors' Report

We expect that our Independent Auditors' Report will be modified as follows:

PS 3280 asset retirement obligations requires the municipality to recognize a liability at the reporting date for future costs that the municipality is legally obligated to incur for the retirement of a tangible capital asset. The municipality has not attempted to identify buildings which may contain asbestos and require remediation upon the retirement of the building. A liability has not been recognized for these costs. As insufficient information is available with regards to the extent and expected costs of the likely remediation activities, we are unable to determine the asset retirement obligation liability that would have been recognized on the current or prior year's statement of financial position, or the impacts on expenses, surplus and accumulated surplus of the current or prior year.

Our Independent Auditors' Report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that all the statements and disclosures that comprise the financial statements have been prepared and Council has approved the financial statements.

Evaluation of Internal Controls

Audits include a review and evaluation of the system of internal controls to assist in determining the level of reliance that may or should be placed on the system in assessing the nature and extent of audit procedures to be undertaken.

There are no internal control matters that we wish to bring to your attention.

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Illegal Acts, Fraud, Intentional Misstatements and Errors

Our auditing procedures, including tests of your accounting records, were limited to those considered necessary in the circumstances and will not necessarily disclose all illegal acts should any exist. Under Canadian Auditing Standards ("CAS"), we consider the municipality's control environment, governance structure, circumstances encountered during the audit and the potential likelihood of fraud and illegal acts occurring.

These procedures are not designed to test for fraudulent or illegal acts, nor will they necessarily detect such acts or recognize them as such, even if the effect on the financial statements is material. However, should we become aware that an illegal or possibly illegal act or act of fraud may have occurred, other than one considered clearly inconsequential, we will communicate directly to the Council.

It is management's responsibility to detect and prevent illegal action. If such acts are discovered or the Council members become aware of circumstances under which the municipality may have been involved in fraudulent, illegal or regulatory non-compliance situations, such circumstances must be disclosed to us.

Testing during our audit did not reveal any illegal, improper or questionable payments or acts, nor any acts committed with the intent to deceive, involving either misappropriation of assets or misrepresentation of assets or misrepresentation of financial information.

Related Party Transactions

During our audit, we conduct various tests and procedures to identify transactions considered to involve related parties. Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management, directors and their immediate family members and companies with which these individuals have an economic interest.

There were no related party transactions identified during the audit that required disclosure in the notes to the financial statements.

Significant Accounting Principles and Policies

Management is responsible for the appropriate selection and application of accounting policies. Our role is to review the appropriateness and application as part of our audit. The significant accounting principles and policies are disclosed in the notes to the financial statements.

The Council has a responsibility to review the accounting policies adopted by the municipality, and where alternative policies are available, make determinations as to the most appropriate policies to be adopted in the circumstances. If members of the Council believe that the adoption or change in accounting policy may produce an inappropriate or misleading result in financial reporting or disclosure, this concern must be discussed with management and us.

As described in the notes to the financial statements, the municipality has adopted the following:

- PS 3450, Financial Instruments, which provides guidance on the recognition, measurement, presentation and disclosure of financial instruments.
- PS 3280, Asset Retirement Obligations, which establishes guidance and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization.

Accounting Estimates

Management is responsible for the accounting estimates included in the financial statements. Estimates and the related judgments and assumptions are based on management's knowledge of the business and past experience about current and future events.

Our responsibility as auditors is to obtain sufficient appropriate evidence to provide reasonable assurance that management's accounting estimates are reasonable within the context of the financial statements as a whole. An audit includes performing appropriate procedures to verify the:

- Calculation of accounting estimates;
- Analyzing of key factors such as underlying management assumptions;
- Materiality of estimates individually and in the aggregate in relation to the financial statements as a whole;
- Estimate's sensitivity to variation and deviation from historical patterns;
- Estimate's consistency with the entity's business plans; and
- Other audit evidence.

Significant Misstatements

In the course of our audit, we have not found any material misstatements or unadjusted items that, in aggregate, exceed materiality thresholds established for the audit, nor have we found significant misstatements that would likely cause future financial statements to be materially misstated.

Uncorrected Misstatements

In the course of our audit, we have aggregated uncorrected financial statement misstatements which are summarized in the accompanying schedule. Management has deemed the effects of these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. To date, management has not agreed to correct these misstatements. Under CAS, we are required to request that the Council approve the correction of these misstatements.

Significant Unusual Transactions

We are not aware of any significant transactions entered into by the municipality that you should be informed about.

Disagreements with Management

We are required to communicate any disagreements with management, whether or not resolved, about matters that are individually or in aggregate significant to the municipality's financial statements or auditors' report. Disagreements may arise over:

- Selection or application of accounting principles;
- Assumptions and related judgments for accounting estimates;
- Financial statement disclosures;
- Scope of the audit; or
- Wording of the auditors' report.

In the course of our audit, we did not have any significant disagreements with management, nor were we under any significant time pressures or poor working conditions. We are not aware of any cause for concern as to management's attitude, competence or credibility with respect to matters affecting the financial statements.

Difficulties Encountered During the Audit

We encountered no significant difficulties during our audit that should be brought to the attention of the Council.

Management Letter

We will be submitting to management a letter on internal controls and any other matters that we feel should be brought to the attention of management. We are attaching a copy for your perusal.

Conclusion

We wish to express our appreciation for the co-operation we received during the audit from the municipality's management.

This letter is intended solely for the use of the municipality's Council, and should not be used for any other purpose, including distribution to third parties.

Should any member of the Council wish to discuss or review any matter addressed in this letter or any other matters related to financial reporting, please do not hesitate to contact us at any time.

Yours truly

A handwritten signature in black ink, appearing to read "MSedor".

Marcia Sedor, CPA, CA
Baker Tilly SK LLP

Schedule of Uncorrected Misstatements

Description of Misstatement	Proposed Adjustments Dr (Cr)				
	Statement of Income		Balance Sheet		
	Identified Misstatements	Likely Aggregate Misstatements	Assets	Liabilities	Opening Equity
SLAM prepaid portion of insurance	(4,981)	(4,981)	4,981	-	-
Overstated culvert additions	6,745	6,745	(6,745)	-	-
Other receivables written off in 2023 for amounts collected in PY	(3,351)	(3,351)	-	-	3,351
a) Totals		(1,587)	(1,764)	-	3,351
b) Misstatements corrected by management		-	-	-	-
c) Likely aggregate misstatements net of corrections (a - b)		(1,587)	(1,764)	-	3,351
d) Effect of unadjusted misstatements from previous year's errors		4,349	-	-	(4,349)
e) Aggregate likely misstatements (c + d)		2,762	(1,764)	-	(998)
f) Final overall materiality		70,000	70,000	70,000	70,000
g) Amount remaining for further possible misstatement (f - e)		67,238	68,236	70,000	69,002



Report of the Independent Auditors' on the Summary Financial Statements

To the Council
R. M. of Wallace No. 243

Opinion

The summary financial statements, which comprise the summary Statement of Financial Position as at December 31, 2023, the summary Statements of Operations, Changes in Net Financial Assets and Cash Flow for the year then ended, and related notes, are derived from the audited financial statements of R. M. of Wallace No. 243 for the year ended December 31, 2023. We expressed a qualified audit opinion on those financial statements in our report dated April 12, 2024.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, on the basis described in note 1. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of R. M. of Wallace No. 243 for the year ended December 31, 2023.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by Canadian public sector accounting standards. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on the audited financial statements in our report dated April 12, 2024.

PS 3280, Asset Retirement Obligations, requires the municipality to recognize a liability at the reporting date for future costs that the municipality is legally obligated to incur for the retirement of a tangible capital asset. The municipality has not attempted to identify buildings which may contain asbestos and require remediation upon the retirement of the building. A liability has not been recognized for these costs. As insufficient information is available with regards to the extent and expected costs of the likely remediation activities, we are unable to determine the asset retirement obligation liability that would have been recognized on the current or prior year's statement of financial position, or the impacts on expenses, surplus and accumulated surplus of the current or prior year.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in note 1.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard (CAS) 810, Engagements to Report on Summary Financial Statements.

Baker Tilly SK LLP

Baker Tilly SK LLP

Yorkton, SK
April 12, 2024

R. M. of Wallace No. 243

Yorkton, Saskatchewan

Statement 1

Statement of Financial Position as at December 31, 2023

	2023	2022
Assets		
Financial Assets		
Cash and cash equivalents	2,060,002	1,469,156
Taxes receivable - municipal	140,796	180,573
Other accounts receivable	<u>93,825</u>	<u>88,979</u>
Total Financial Assets	<u>2,294,623</u>	<u>1,738,708</u>
Liabilities		
Accounts payable	646,964	91,698
Deferred revenue	<u>100</u>	<u>99,600</u>
Total Liabilities	<u>647,064</u>	<u>191,298</u>
Net Financial Assets	<u>1,647,559</u>	<u>1,547,410</u>
Non-Financial Assets		
Tangible capital assets	4,625,831	4,364,370
Prepayments and deferred charges		1,754
Stock and supplies	121,439	96,861
Other	<u>3,517</u>	<u>3,517</u>
Total Non-Financial Assets	<u>4,750,787</u>	<u>4,466,502</u>
Accumulated Surplus Excluding Remeasurement Gains	<u>\$ 6,398,346</u>	<u>\$ 6,013,912</u>

R. M. of Wallace No. 243
Statement of Operations
For the year ended December 31, 2023

Statement 2

	2023 Budget	2023 Actual	2022 Actual
Revenues			
Tax revenue	2,548,578	2,557,590	2,362,746
Fees and charges	65,619	42,163	60,305
Conditional grants	10,793	15,405	13,168
Tangible capital asset sales - gain (loss)		(87,737)	4,604
Investment income	21,200	59,437	24,490
Provincial/federal capital grants and contributions	78,500	175,404	28,500
Total Revenues	<u>2,724,690</u>	<u>2,762,262</u>	<u>2,493,813</u>
Expenses			
General government services	324,341	406,179	360,583
Protective services	130,683	133,791	129,714
Transportation services	2,179,053	1,699,301	2,010,850
Environmental and public health services	116,879	121,382	93,722
Planning and development services	1,571	1,500	1,540
Recreation and cultural services	14,463	14,923	14,263
Utilities services	95	752	2,113
Total Expenses	<u>2,767,085</u>	<u>2,377,828</u>	<u>2,612,785</u>
Surplus (Deficit) of Revenue over Expenses	(42,395)	384,434	(118,972)
Accumulated Surplus Excluding Remeasurement Gains, Beginning of Year	<u>6,013,912</u>	<u>6,013,912</u>	<u>6,132,884</u>
Accumulated Surplus Excluding Remeasurement Gains, End of Year	<u>\$ 5,971,517</u>	<u>\$ 6,398,346</u>	<u>\$ 6,013,912</u>

R. M. of Wallace No. 243
Statement of Change in Net Financial Assets
For the year ended December 31, 2023

Statement 3

	2023 Budget	2023 Actual	2022 Actual
Surplus (Deficit)	(42,395)	384,434	(118,972)
(Acquisition) of tangible capital assets		(695,361)	(438,832)
Amortization of tangible capital assets		187,163	219,639
Proceeds on disposal of tangible capital assets		159,000	4,604
Loss (gain) on the disposal of tangible capital assets		87,737	(4,604)
Surplus (Deficit) of Capital Expenses over Expenditures	<u>0</u>	<u>(261,461)</u>	<u>(219,193)</u>
(Acquisition) of supplies inventories		(180,221)	(63,730)
(Acquisition) of prepaid expense			(1,754)
Consumption of supplies inventory		155,643	72,305
Use of prepaid expense		<u>1,754</u>	<u>1,576</u>
Surplus (Deficit) of Expenses of Other Non-Financial over Expenditures	<u>0</u>	<u>(22,824)</u>	<u>8,397</u>
Increase (Decrease) in Net Financial Assets	(42,395)	100,149	(329,768)
Net Financial Assets, beginning of year	<u>1,547,410</u>	<u>1,547,410</u>	<u>1,877,178</u>
Net Financial Assets, End of Year	<u>\$ 1,505,015</u>	<u>\$ 1,647,559</u>	<u>\$ 1,547,410</u>

R. M. of Wallace No. 243
Statement of Cash Flow
For the year ended December 31, 2023

Statement 4

	2023	2022
Cash Provided by (used for) the Following Activities		
Operating:		
Surplus (Deficit)	384,434	(118,972)
Amortization	187,163	219,639
Loss (gain) on disposal of tangible capital assets	<u>87,737</u>	<u>(4,604)</u>
	659,334	96,063
Change in Assets/Liabilities		
Taxes receivable - municipal	39,777	35,444
Other receivables	(4,846)	(26,802)
Accounts payable	555,265	(90,227)
Other liabilities	(99,500)	26,267
Stock and supplies for use	(24,577)	8,574
Prepayments and deferred charges	<u>1,754</u>	<u>(178)</u>
Cash Provided by Operating Transactions	<u>1,127,207</u>	<u>49,141</u>
Capital:		
Acquisition of capital assets	(695,361)	(438,832)
Proceeds on sale of tangible capital assets	<u>159,000</u>	<u>4,604</u>
Cash Applied to Capital Transactions	<u>(536,361)</u>	<u>(434,228)</u>
Change in Cash and Cash Equivalents During the Year	590,846	(385,087)
Cash and cash equivalents, beginning of year	<u>1,469,156</u>	<u>1,854,243</u>
Cash and Cash and Cash Equivalents, End of Year	<u>\$ 2,060,002</u>	<u>\$ 1,469,156</u>

R. M. of Wallace No. 243
Notes to Summary Financial Statements
For the year ended December 31, 2023

1. Basis of the Summary Financial Statements

The following criteria have been applied by management in the preparation of these summary financial statements:

- (a) The information in the summary financial statements is in agreement with the related information in the municipality's December 31, 2023 audited financial statements; and
- (b) The summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the audited financial statements, including the notes thereto.
- (c) The audited financial statements can be obtained by request at the municipal office.
- (d) The detailed notes included in the audited financial statements are not included in the summary financial statements as these notes are available in the audited financial statements which can be obtained as described above.