

Kenora Public Library
Financial Statements
December 31, 2019

Kenora Public Library
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For the year ended December 31, 2019

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Management's Responsibility

To the Board of Kenora Public Library:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Library. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The council of The Corporation of the City of Kenora is responsible for recommending the appointment of the Library's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the council of The Corporation of the City of Kenora to audit the financial statements and report directly to the members; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.



Head Librarian

Independent Auditor's Report

To the Board of Kenora Public Library:

Qualified Opinion

We have audited the financial statements of Kenora Public Library (the "Library"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2019, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many charitable organizations, the Kenora Public Library derives revenue from donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Library. Therefore, we are unable to determine whether any adjustments might be necessary to donation and fundraising revenues, annual surplus (deficit), assets and accumulated surplus for the year ended December 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained management's annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kenora, Ontario

July 22, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

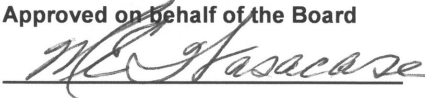
Kenora Public Library

Statement of Financial Position

As at December 31, 2019

	2019	2018
Financial assets		
Cash (Note 3)	20,850	19,093
Temporary investments (Note 4)	22,358	22,069
Accounts receivable	7,210	1,700
Due from The Corporation of the City of Kenora (Note 5)	482,918	480,445
	533,336	523,307
Liabilities		
Accounts payable (Note 6)	22,243	16,091
Deferred revenue (Note 7)	25,287	23,050
Future employee benefits (Note 9)	241,528	216,014
	289,058	255,155
Net financial assets	244,278	268,152
Commitments (Note 10)		
Non-financial assets		
Tangible capital assets (Note 11)	118,627	114,316
Accumulated surplus (Note 12)	362,905	382,468

Approved on behalf of the Board

 Director

 Director

Kenora Public Library
Statement of Operations and Accumulated Surplus
For the year ended December 31, 2019

	2019 Budget (unaudited)	2019	2018
Revenue			
The Corporation of the City of Kenora (Note 5)	607,124	607,124	613,001
Province of Ontario	35,583	35,583	35,583
Donations and other income	3,320	29,932	29,943
Dolly Parton Imagination Library (Note 7)	-	13,229	11,871
Room rental	12,852	12,852	12,546
Fines	13,500	11,141	13,425
Memberships	8,000	8,185	7,895
Photocopies	5,500	5,523	6,089
Proceeds from used and unreturned books	2,200	2,762	2,023
Fundraising	-	1,596	1,427
	688,079	727,927	733,803
Expenses			
Advertising	2,400	2,098	1,378
Amortization	50,511	50,511	55,694
Audit fees	3,700	5,195	5,000
Bad debts (recoveries)	-	(525)	(129)
Bank charges and interest	1,000	840	849
Books	17,178	17,515	18,543
Cleaning	26,500	25,475	14,858
Contracted services	5,200	2,560	3,339
Dolly Parton Imagination Library expenses	-	13,229	11,871
Equipment and supplies	8,500	5,640	6,227
Equipment rental	4,000	3,091	4,011
Fundraising	-	316	431
Insurance	1,944	2,536	2,033
Materials and supplies	12,500	13,136	11,278
Microfilm	1,300	1,397	1,000
Miscellaneous	2,100	3,092	6,925
Office and postage	1,500	104	888
Periodicals	4,500	4,112	4,016
Repairs and maintenance	19,700	11,558	17,841
Salaries and benefits	486,835	542,696	508,077
Technology	9,500	6,128	7,696
Telephone and utilities	31,500	29,076	27,832
Travel	8,000	7,710	6,628
	698,368	747,490	716,286
Surplus (deficit)	(10,289)	(19,563)	17,517
Accumulated surplus, beginning of year	382,468	382,468	364,951
Accumulated surplus, end of year	372,179	362,905	382,468

The accompanying notes are an integral part of these financial statements

Kenora Public Library
Statement of Changes in Net Financial Assets
For the year ended December 31, 2019

	2019 Budget (unaudited)	2019	2018
Surplus (deficit)	(10,289)	(19,563)	17,517
Purchases of tangible capital assets	(54,822)	(54,822)	(43,713)
Amortization of tangible capital assets	50,511	50,511	55,694
Increase (decrease) in net financial assets	(14,600)	(23,874)	29,498
Net financial assets, beginning of year	268,152	268,152	238,654
Net financial assets, end of year	253,552	244,278	268,152

The accompanying notes are an integral part of these financial statements

Kenora Public Library
Statement of Cash Flows
For the year ended December 31, 2019

	2019	2018
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	(19,563)	17,517
Non-cash items		
Amortization	50,511	55,694
	30,948	73,211
Changes in working capital accounts		
Accounts receivable	(5,510)	(580)
Temporary investments	(289)	(230)
Due from The Corporation of the City of Kenora	(2,473)	(39,076)
Accounts payable	6,152	(11,800)
Future employee benefits	25,514	16,824
Deferred revenue	2,237	7,431
	56,579	45,780
Capital activities		
Purchases of tangible capital assets	(54,822)	(43,713)
Increase in cash	1,757	2,067
Cash, beginning of year	19,093	17,026
Cash, end of year	20,850	19,093

The accompanying notes are an integral part of these financial statements

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

1. Operations

The Kenora Public Library (the "Library") is a municipal unincorporated organization controlled by the Corporation of the City of Kenora located in the Province of Ontario, and provides public library services to residents of the municipality. The Library is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

Cash

Cash includes balances with banks. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Temporary investments

Temporary investments consist of investments in money market funds and are valued at the lower of cost and market value.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. One half of normal depreciation is taken in the year of acquisition.

	Rate
Books and movies	5 years
Equipment	10 years

Long-lived assets

Long-lived assets consist of tangible capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Library determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Future employee benefits

The Library accounts for its participation in the Ontario Municipal Employees Retirement System (OMERS), a multi-employer public sector pension fund, as a defined contribution plan. Standards issued by Chartered Professional Accountants Canada with respect to accounting for employee future benefits require the company to accrue for its obligations under other employee benefits plans and related costs, net of plan assets.

The cost of other post-employment benefits offered to employees are actuarially determined using the projected benefit method, prorated on service and based on management's best estimates and assumptions. Under this method, the projected post-retirement benefit is deemed to be earned on a pro-rata basis over the years of service in the attribution period commencing at the date of hire, and ending at the earliest age the employee could retire and qualify for benefits.

Vested sick leave is accumulated to a maximum of 200 days, which vests and is payable at a rate of 50% to employees upon retirement. In the event an employee resigns, only half of the vested sick leave is paid out.

2. Significant accounting policies *(Continued from previous page)*

Deferred revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.

Government transfers

Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Segments

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The Library's activities are in only one segment, recreation and culture, and hence there is no additional financial statement disclosure required.

Revenue recognition

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when the monies are received.

Membership revenue is recognized when the term of the membership commences and the proceeds have been received.

Fines are recognized for each day that books and magazines are overdue.

General donations and fundraising revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Sales of service and other revenues are recognized on an accrual basis.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Accounts payable and accruals are based on historical charges for unbilled goods and services at year-end.

3. Cash

	2019	2018
Operating funds	1,677	1,555
Capital replacement - internally restricted	11,679	10,196
Keewatin donations - externally restricted (Note 7)	7,494	7,342
	20,850	19,093

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

4. Temporary investments

The temporary investments are part of the capital replacement reserve and consist of investments in money market funds. Market value is equal to book value.

5. Related party transactions

Included in revenues is an operating grant of \$607,124 (2018 - \$613,001) from The Corporation of the City of Kenora. The balance owing by The Corporation of the City of Kenora to the Library at December 31, 2019 was \$482,918 (2018 - \$480,445).

The Corporation of the City of Kenora administers various services on behalf of the Library for no consideration.

The advances are unsecured and non-interest bearing with no fixed terms of repayment.

6. Accounts payable

	2019	2018
Sundry payables	8,564	10,952
OMERS	13,679	5,139
	22,243	16,091

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

7. Deferred revenue

	2019	2018
Keewatin Donations		
Opening balance	7,342	7,218
Externally restricted investment income	152	124
Ending balance	7,494	7,342
Dolly Parton Imagination Library deferred contributions		
Opening balance	13,708	8,401
Contributions received	16,111	17,178
Revenue recognized	(13,229)	(11,871)
Ending balance	16,590	13,708
Teen Advisory Group		
Opening balance	2,000	-
Contributions received	-	2,000
Revenue recognized	(797)	-
Ending balance	1,203	2,000
	25,287	23,050

The Keewatin Donations Fund was established from funds presented in December 2009. The funds are to be used to offset costs associated with the purchase of books and materials, technology upgrades and other initiatives outside of day-to-day operating expenses at the Keewatin Branch Library.

The Dolly Parton Imagination Library deferred contributions represents funds to be used to offset costs associated with the Dolly Parton Imagination Library program.

The Teen Advisory Group deferred contributions represents funds to be used to offset costs associated with the Teen Advisory Group program.

8. Pension plan

The Library, through The Corporation of the City of Kenora, makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its staff. This plan is a defined contribution plan. The amount contributed to OMERS for 2019 was \$38,431 (2018 - \$29,677) and is included in salaries and benefits. For employees who have a normal retirement age of 65, contributions are 9% of employees' salary up to \$57,400 and 14.6% thereafter.

Because OMERS is a multi-employer pension plan, the Library does not recognize any share of the pension plan surplus of \$1,531 million (2018 - deficit of \$2,790 million) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees.

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

9. Future employee benefits

The policies of the Kenora Public Library allow for the accumulation of vested sick leave to a maximum of 200 days for certain employees. On retirement 50% of the vested sick leave is payable to the employee, and on resignation 25% of the vested sick leave is payable to the employee. The amount reported represents the 50% payable on retirement.

The Kenora Public Library, through The Corporation of the City of Kenora, pays certain health and dental benefits on behalf of its retired employees. The Library recognizes these post-retirement costs in the period in which the employees rendered the services. As well, the Library provides for the accumulation of unused sick days to be banked.

Information about the Kenora Public Library's future employee benefits is as follows:

	2019	2018
Vested sick leave		
Liability as at December 31	84,051	80,249
Post-retirement benefits		
Accrued benefit liability at January 1	135,765	125,423
Actuarial adjustment to opening balance	16,532	478
Expense for the year as determined by actuarial valuation using a 2.50% (2018 - 2.90%) discount rate	10,656	9,864
Adjustment for actual costs for retirees	(5,476)	-
	157,477	135,765
	241,528	216,014

The main actuarial assumptions employed for the valuation of post-retirement benefits are as follows:

- a) Interest (discount) rate:
The obligations as at December 31, 2019 of the present value of future liabilities and the expense for the 12 months ended December 31, 2019 were determined using a discount rate of 2.50%.
- b) Medical costs:
Medical costs were assumed to increase 5.20% per year to 2023 and between 3.57% and 5.11% per year thereafter.
- c) Dental costs:
Dental costs were assumed to increase 3.00% per year to 2023 and between 3.35% and 4.75% per year thereafter.
- d) Salary and wage rates:
Salary and wage rates were assumed to increase at 1.50% per year to 2022 and 2.00% per year thereafter.

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

10. Commitments

The Library has entered into the following long-term commitments:

- Office equipment lease with annual payments of \$2,585 to May 2021.
- Partnership agreement with Near North Mobile Media Lab where the Library is committed to providing a designated space for operations and storage and supervision by Library staff. The agreement is for the three years ending May 31, 2020 but may be dissolved voluntarily by agreement of the partners.
- Lease agreement with Firefly where the Library is committed to providing a designated space for operations and access to the building in exchange for monthly payments plus GST/HST starting January 2020 until January 1, 2025. The annual payments under the agreement in each of the next five years are as follows:

2020	13,045
2021	13,241
2022	13,440
2023	13,642
2024	13,846

11. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2019 Net book value</i>
Books and movies	515,936	47,709	-	455,273	108,372
Equipment	53,692	7,113	-	50,550	10,255
	569,628	54,822	-	505,823	118,627

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2018 Net book value</i>
Books and movies	472,223	43,713	-	412,672	103,264
Equipment	53,692	-	-	42,640	11,052
	525,915	43,713	-	455,312	114,316

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

12. Accumulated surplus/Funds

The investment in tangible capital assets represents amounts already spent and invested in collections and other non-financial assets.

The General Fund reports the Library's day to day operating activities and unrestricted funds.

Restricted funds represent funds set aside by Board resolution for specific purposes. The following is a description of the Library's restricted funds:

The capital replacement fund was established specifically for the purchase of capital assets. The use of its surplus is restricted to expenditures of this nature and is subject to Board approval.

Activities in these funds during the year were as follows:

	2019	2018
Invested in Capital Assets		
Fund balance, beginning of year	114,316	126,297
Capital (net)	4,311	(11,981)
Fund balance, end of year	118,627	114,316
General		
Fund balance, beginning of year	235,885	207,760
Excess of revenue (expense)	(25,646)	28,125
Fund balance, end of year	210,239	235,885
Capital Replacement		
Fund balance, beginning of year	32,267	30,894
Excess of revenue (expense)	1,772	1,373
Fund balance, end of year	34,039	32,267
Accumulated Surplus	362,905	382,468

13. Economic dependence

Approximately 83% (2018 - 84%) of revenue was received from The Corporation of the City of Kenora. The continuance of operations is dependent upon this funding.

14. Kenora & Lake of the Woods Regional Community Foundation

The Library has established a charitable agency endowment fund from donation funds with the Kenora & Lake of the Woods Regional Community Foundation, which allows the Library to setup a fund without the responsibility of investment management. In 2009, a bequest of \$25,000 was matched by an anonymous donor to create the \$50,000 fund. Income from this endowment fund will continue in perpetuity and will be used by the Library as an annualized source of program funding. The fund is not controlled by the Kenora Public Library and has not been included in the statement of financial position nor have the operations been included in the statement of operations. The market value of the fund on December 31, 2019 was \$99,154 (2018 - \$88,818), including donations of \$3,646 (2018 - \$8,366) deposited to the fund during the year plus fund gain of \$12,646 (2018 - fund loss of \$2,357), grants of \$4,735 (2018 - \$4,700), and fees of \$1,220 (2018 - \$1,182).

Kenora Public Library
Notes to the Financial Statements
For the year ended December 31, 2019

15. Subsequent events

The Canadian Union of Public Employees collective agreement expired on December 31, 2019. Negotiations are not yet underway and staff are being paid at rates based on the prior agreement. Retro pay, if any, will be recorded in the period it becomes known.

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Library as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

16. Budget information

The budget approved by the board of directors was not prepared on a basis consistent with that used to report actual results (Public sector accounting standards). The budget was prepared on a modified accrual basis while Public sector accounting standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budgets approved by the board with adjustments as follows:

	2019	2018
Budget surplus (deficit) approved by the Board	-	-
Add: Capital expenditures	54,822	43,713
Less: Amortization	(50,511)	(55,694)
Transfer from reserves	(14,600)	-
	<hr/>	<hr/>
Budget deficit per statement of operations	(10,289)	(11,981)

Kenora Public Library
24 Main Street South
Kenora, ON P9N 1S7

July 22, 2020

MNP LLP
315 Main Street South
Kenora, Ontario P9N 1T4

To Whom It May Concern:

In connection with your audit of the financial statements of Kenora Public Library ("the Organization") as at December 31, 2019 and for the year then ended, we hereby confirm to the best of our knowledge and belief, the following representations made to you during the course of your audit.

We understand that your audit was made in accordance with Canadian generally accepted auditing standards. Accordingly, the audit included an examination of the accounting system, controls and related data, and tests of the accounting records and such other auditing procedures as you considered necessary in the circumstances, for the purpose of expressing an opinion on the financial statements. We also understand that such an audit is not designed to identify, nor can it necessarily be expected to disclose, misstatements, non-compliance with laws and regulations, fraud or other irregularities, should there be any.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 9, 2020, for the preparation and fair presentation of the Organization's financial statements in accordance with Canadian public sector accounting standards. We believe these financial statements are complete and present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and the results of its operations and its cash flows, in accordance with Canadian public sector accounting standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements, and are reported in the appropriate period.
3. We acknowledge that we are responsible for the accounting policies followed in the preparation of the Organization's financial statements. Significant accounting policies, and any related changes to significant accounting policies, are disclosed in the financial statements. The selection of accounting policies is appropriate in accordance with the requirements of Canadian public sector accounting standards, and are applied consistently throughout the financial statements.
4. We have disclosed to you all significant assumptions used in making accounting estimates and judgments, and believe they are reasonable.
5. We believe the effects of those uncorrected financial statement differences aggregated by you during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these differences has been attached to this written representation.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

7. All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
8. We further acknowledge the following items related specifically to COVID-19:
 - We have assessed the impact of COVID-19 on the Organization's operations and have provided you all information relevant to the impact it has had and/or is anticipated to have on the Organization's operations.
 - We have made available to you all source documentation requested, whether in original or scanned/electronic format. Where information has been provided in scanned/electronic format, it has been accurately reproduced.
 - All events or transactions that have occurred subsequent to the statement of financial position and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed appropriately in the financial statements.
9. All plans or intentions that may affect the carrying value or classification of assets and liabilities are appropriately reflected in the financial statements in accordance with Canadian public sector accounting standards.
10. All liabilities, both known and contingent, requiring recognition or disclosure in the financial statements in accordance with the requirements of Canadian public sector accounting standards have been adjusted or disclosed as appropriate.
11. All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
12. All assets, wherever located, to which the Organization had satisfactory title at the year-end, have been fairly stated and recorded in the financial statements. The assets are free from hypothecation, liens and encumbrances, except as noted in the financial statements. We have disclosed the nature and carrying amounts of any assets pledged as collateral. All assets of uncertain value, and restrictions imposed on assets, are appropriately reported in the financial statements.
13. All aspects of laws, regulations or contractual agreements, including non-compliance, are appropriately reflected in the financial statements.
14. All restricted cash has been appropriately designated and separated from operating funds.
15. Investments in marketable securities are appropriately recorded in the financial statements in accordance with the requirements of Canadian public sector accounting standards. All events or circumstances giving rise to impairments are reflected in the financial statements.
16. Accounts and contributions receivable are correctly described in the records and represent valid claims as at December 31, 2019. An appropriate allowance has been made for losses from uncollectible accounts and for costs or expenses that may be incurred with respect to sales made or services rendered.
17. All charges to tangible capital assets represent capital expenditures. No expenditures of a capital nature were charged to operations of the Organization. Depreciation of equipment has been recorded according to our best estimates of their useful lives. All events or circumstances giving rise to impairments are appropriately reflected in the financial statements.
18. Employee future benefits have been appropriately recorded in the financial statements according to the requirements of Canadian public sector accounting standards. All actuarial assumptions and valuations have been disclosed to you in full and are appropriate.
19. Revenue has been recognized only where sales have been made and items delivered, or services rendered, and the amounts have been collected or are collectible. Revenues do not include any amounts arising from consignment sales or from any other transaction from which the Organization is not entitled to the proceeds.

20. Revenue from government departments and other funding agencies has been recognized in accordance with the terms of the applicable funding agreements, and that any amounts not expended in accordance with the terms, has been recorded as deferred revenue or as repayable to the funding agency, as applicable to the agreement.
21. All known non-monetary transactions have been disclosed to you and have been measured and disclosed in accordance with Canadian public sector accounting standards.
22. There were no direct or contingent liabilities, unusual contractual obligations or any substantial commitments, other than in the ordinary course of business, which would materially affect the financial statements or financial position of the Library, except as disclosed in the financial statements.
23. We have disclosed to you all significant funders and/or suppliers of the Library who individually represent a significant volume of transactions with our Library. We are of the opinion that the volume of transactions (sales, services, purchases, borrowing and lending) done by the Library with any one party is not of sufficient magnitude that discontinuance would have a material negative effect on the ongoing operations of the Library.

Information provided

1. We have responded fully to all inquiries made to us and have made available to you:
 - A complete record of all financial records that are relevant to the preparation and presentation of the financial statements, and related data and minutes of the meetings held throughout the year to the present date as well as summaries of recent meetings for which minutes have not yet been prepared;
 - Additional information that you have requested from us for the purpose of your audit;
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We acknowledge management's responsibility for the design, implementation and operation of controls that have been designed to prevent and detect fraud.
3. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
4. Where the impact of any frauds or suspected frauds, and non-compliance or possible non-compliance with laws and regulations, has a material effect on the financial statements, we have disclosed to you all known significant facts relating thereto, including circumstances involving management, employees having significant roles over controls, and others. We have made known to you any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators and others. The effects of such events, if any, are properly presented in the financial statements.
5. We have disclosed to you all deficiencies in the design or operation of internal controls over financial reporting of which we are aware.
6. We have disclosed to you all aspects of laws, regulations or contractual agreements that may affect the financial statements, including non-compliance.
7. We have disclosed to you the identities of all related parties to the Organization and all related party relationships and transactions of which we are aware.
8. The use of the going concern assumption is appropriate and the Organization will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. We have not identified events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern.

9. We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.
10. The previous year's representation letter dated June 26, 2019 is still applicable to the prior year's financial statements, and no matters have arisen that require restatement of those financial statements.
11. There are no discussions with your firm's personnel regarding employment with the Organization.

Other Information

12. We have informed you of all the documents containing other information that comprise our annual report. Further, the financial statements and the other information provided to you prior to the date of your audit report are consistent with one another, and the other information does not contain any material misstatements.
13. We have informed you of all the documents containing other information that comprise our annual report. The final version will be provided to you when it is available, prior to its issuance, with sufficient time to complete the necessary procedures to satisfy your responsibilities in relation to other information.

Professional Services

1. We acknowledge the engagement letter dated March 9, 2020, which states the terms of reference regarding your professional services.
2. We are not aware of any reason why MNP LLP would not be considered independent for purposes of the Organization's audit.

Sincerely,

Kenora Public Library

C. Alcock
Crystal Alcock

July 22, 2020
Head Librarian

Client: Kenora Public Library
Client #: 732374
Year End: 31/12/2019

Designed to pull all journal entries recorded in the CaseWare file which are classified as "Normal Adjusting" entries

[illegible]

MNP LLP
Audit Program - Summary of Differences

Client: Kenora Public Library
Client #: 732374
Year End: 31/12/2019

Unadjusted Differences

Designed to pull all journal entries (with balances over 5% of materiality) recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss) DR (CR)							Adjustments to Balance Sheet Item DR (CR)						
Journal entry #	Ref	Type and Cause of Difference	Factual/Judgmental (A)	Projected (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
SUD1	BB 8	Unrecorded vacation carried forward	6,377.66	0.00	6,377.66	0.00	6,377.66	0.00	0.00	0.00	0.00	-6,377.66	0.00	0.00	6,377.66	0.00
SUD2	40. 4	Possible misstatement due to HST being calculated using ITCs instead of MUSH on expenses	0.00	3,566.43	3,566.43	0.00	3,566.43	0.00	0.00	-3,566.43	0.00	0.00	0.00	0.00	3,566.43	0.00
Closing equity differences			6,378	3,566	9,944	0	9,944	0	0	-3,566	0	-6,378	0	0	9,944	0
Uncorrected opening differences			0	0	0	0	0	0	-5,391	0	0	5,391	0	0	-5,391	
Current period differences DR (CR)			6,378	3,566	9,944	0	9,944	0	-5,391	-3,566	0	-987	0	0	4,553	
Materiality			22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	
Excess (shortfall)			15,622	18,434	12,056	22,000	12,056	22,000	16,609	18,434	22,000	21,013	22,000	22,000	17,447	

MNP LLP
Audit Program - Summary of Differences

Client: Kenora Public Library
 Client #: 732374
 Year End: 31/12/2019

Insignificant Differences Threshold of Clearly Trivial 5% 1,100

"Clearly trivial" is defined as an amount that would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements.
 Designed to pull all journal entries recorded in the CaseWare file which are classified as "Unrecorded - factual", "Unrecorded - projected", "Unrecorded - judgmental" entries AND determined to be UNDER the threshold for "clearly trivial"
 Preparer should keep differences < 5% of overall F/S materiality in the back of his/her mind because if aggregated with other differences, they may be material

			Adjustment to Earnings/Comprehensive Income Item/Remeasurement Gain(Loss) DR (CR)							Adjustments to Balance Sheet Item DR (CR)						
Journal entry #	Ref	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
Aggregate of insignificant differences identified			0	0	0	0	0	0	0	0	0	0	0	0	0	0

Accumulated Unadjusted & Insignificant Differences

Accumulated unadjusted & insignificant differences	6,378	3,566	9,944	0	9,944	0	-5,391	-3,566	0	-987	0	0	4,553
Materiality	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
Excess of accumulated unadjusted differences over materiality	15,622	18,434	12,056	22,000	12,056	22,000	16,609	18,434	22,000	21,013	22,000	22,000	17,447

Uncorrected Opening Differences

		Adjustment to Earnings/Comprehensive Income Item DR (CR)						Adjustments to Balance Sheet Item DR (CR)							
Year	Type and Cause of Difference	Identified (A)	Possible (B)	Likely Aggregate	Income Tax Effect	Net Income after tax	RM Gain (Loss)	Opening Equity	Current Assets	Other Assets	Current Liabilities	LT Liabilities	Other Equity	Closing Equity	Out of Balance
User - 1		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017 - 0	Projected HST error in expenses due to claiming ITCs instead of MUSH. HST is claimed by the City so difference is put to due to/from City account	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017 - 1	Unrecorded vacation pay payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018 - 2	Vacation accrual not recorded	0.00	0.00	0.00	0.00	0.00	0.00	-5,390.77	0.00	0.00	5,390.77	0.00	0.00	-5,390.77	0.00
Closing equity differences		0	0	0	0	0	0	-5,391	0	0	5,391	0	0	-5,391	0

Calcock
 Reviewed and Approved

July 22, 2020

Kenora Public Library
24 Main Street South
Kenora, ON P9N 1S7

Attention: Crystal Alcock

Dear Crystal:

This letter will confirm the arrangements discussed with you regarding the services we will render to Kenora Public Library (the "Organization") for the fiscal year ending December 31, 2020.

Our responsibilities

We will audit the financial statements of Kenora Public Library for the year ended December 31, 2020.

Our audit will be conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we will plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error.

Our responsibilities, objective, scope, independence and the inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards are detailed in Appendix A, which forms part of our mutual understanding of the terms of this engagement.

Management's responsibilities

The operations of the Organization are under the control of management, which has responsibility for the accurate recording of transactions and the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards. This includes the design, implementation and maintenance of internal controls relating to the preparation and presentation of the financial statements.

Appendix B, which describes in detail management's responsibilities with respect to this engagement, forms part of our mutual understanding of the terms of this engagement.

Reporting

Unless unanticipated difficulties are encountered, our report will be substantially in the form illustrated in Appendix C.

Fees and expenses

Our fees and expenses are discussed in detail in Appendix D.

Other matters

We will, as permitted by the Code of Professional Conduct, provide additional services upon request, in areas such as taxation, leadership and human resource management, communication, marketing, strategic planning, financial management and technology consulting.

Our standard terms and conditions, included as Appendix E, form part of our mutual understanding of the terms of this engagement. In the event that you choose to terminate this engagement based on the terms outlined in Appendix E, we reserve the right to notify all financial statement users of the change.

The privacy and security of the personal information you provide is important to us. We strive to ensure the strictest compliance with all applicable provincial and federal standards of protection and disclosure of personal information by any and all of our employees, agents, divisions and/or affiliates (referred to collectively as "MNP"). You may review our privacy policy at www.mnp.ca. We will not collect, use, or disclose any of your personal information without your knowledge and consent, unless required to do so by legal authority or the applicable provincial Code of Professional Conduct.

By signing this engagement letter you agree that for the purposes of this engagement MNP may collect, use, and disclose personal information in accordance with our privacy policy. You also agree that MNP may collect and use personal information from you for the purposes of providing other services or informing you of other opportunities from time to time ("Other Matters"). Personal information that is not relevant to the purposes of this engagement or to any Other Matters will not be disclosed to anyone for any reason without your further prior consent.

In accordance with professional regulations (and by Firm policy), our client files must be periodically reviewed by provincial or national practice inspectors and by other Firm personnel to ensure we are adhering to professional and Firm standards. Confidentiality of client information will be maintained throughout this process.

The arrangements outlined in this letter and its appendices will continue in effect from year to year, unless changed in writing.

We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the arrangements acceptable, please acknowledge your agreement to the understanding by signing and returning the engagement letter to us.

It is a pleasure for us to be of service to you. We look forward to many years of association with you and Kenora Public Library.

Sincerely,

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

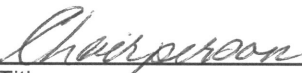
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RESPONSE:


This letter correctly sets forth the understanding of Kenora Public Library.



Officer Signature



Title



Date

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations

The following details our responsibilities as auditors and the objective, scope, independence and inherent limitations of an audit conducted in accordance with Canadian generally accepted auditing standards.

Our responsibilities, objective and scope

Our audit will be planned and performed to obtain reasonable assurance that the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error. If any of the following matters are identified, they will be communicated to the appropriate level of management:

- Misstatements, resulting from error, other than immaterial misstatements;
- Fraud or any information obtained that indicates that a fraud may exist;
- Material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
- Any evidence obtained that indicates non-compliance or possible non-compliance with laws and regulations has occurred;
- Significant deficiencies in the design or implementation of controls to prevent and detect fraud or misstatements; and
- Related party transactions identified that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed.

Furthermore, we will consider the Organization's controls over financial reporting for the purpose of identifying types of potential misstatement, considering factors that affect the risks of material misstatement, and determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements. This consideration will not be sufficient to enable us to render an opinion on the effectiveness of controls over financial reporting nor to identify all significant deficiencies in the Organization's system of financial controls.

Independence

The Code of Professional Conduct require that we are independent when conducting this engagement. We will communicate to the Audit Committee or equivalent any relationships between the Organization (including related entities) and MNP LLP ("MNP") that, in our professional judgment, may reasonably be thought to bear on our independence.

If matters should arise during this engagement that can reasonably be assumed to have impaired our independence, we may need to withdraw from this engagement.

Audit limitations

An audit involves performing procedures to obtain audit evidence regarding the amounts and disclosures in the financial statements. This includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation, structure and content of the financial statements, including disclosures.

It is important to recognize that an auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of factors such as the use of judgment, selective testing of data, inherent limitations of controls, and the fact that much of the audit evidence available is persuasive rather than conclusive in nature.

Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material misstatement due to fraud.

Appendix A: Our Audit Responsibilities, Objective, Scope and Limitations *(continued from previous page)*

While effective controls reduce the likelihood that misstatements will occur and remain undetected, they do not eliminate that possibility. Therefore, we cannot guarantee that fraud, misstatements and non-compliance with laws and regulations, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards.

The audit of the financial statements and the issuance of our audit opinion are solely for the use of the Organization and those to whom our report is specifically addressed. We make no representations of any kind to any third party in respect of these financial statements and we accept no responsibility for their use by any third party. If our name is to be used in connection with the financial statements, you will attach our independent audit report when distributing the financial statements to third parties.

We ask that our names be used only with our consent and that any information to which we have attached a communication be issued with that communication unless otherwise agreed to by us.

Appendix B: Management Responsibilities

During the course of our audit, you will be required to provide and make available complete information that is relevant to the preparation and presentation of the financial statements, including:

- Financial records and related data, including data relevant to disclosures made in the financial statements;
- Copies of all minutes of meetings of directors;
- Access to personnel to whom we may direct our inquiries;
- Information relating to any known or possible instances of non-compliance with laws, legislative or regulatory requirements (including financial reporting requirements);
- Information relating to all related parties and related party transactions; and
- Allowing access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

Management's responsibility with respect to fraud and misstatement includes:

- The design and implementation of controls for its prevention and detection;
- An assessment of the risk that the financial statements may be materially misstated;
- Disclosure of situations where fraud or suspected fraud involving management, employees who have significant roles in controls, or others, where the fraud could have a material effect on the financial statements, have been identified or allegations have been made; and
- Communicating your belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In accordance with Canadian generally accepted auditing standards, we will request a letter of representation from management at the close of our audit in order to confirm oral representations given to us and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. These representations are used as evidence to assist us in deriving reasonable conclusions upon which our audit opinion is based.

If the Organization plans any reproduction or publication of our report, or a portion thereof, printer's proofs of the complete documents should be submitted to us in sufficient time for our review, prior to making such documents publicly available. It will also be necessary for you to furnish us with a copy of the printed report. Further, it is agreed that in any electronic distribution, for example on Kenora Public Library's website or on designated public document databases such as SEDAR, management is solely responsible for the accurate and complete reproduction of our report and the subject matter on which we reported, and for informing us of any subsequent changes to such documents. However, we are responsible to read the documents to ensure accuracy, and consider the appropriateness of other information accompanying the audited financial statements, upon initial posting.

Appendix C: Illustrative Independent Auditor's Report

Independent Auditor's Report

To the Board of Kenora Public Library:

Qualified Opinion

We have audited the financial statements of Kenora Public Library (the "Organization"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

In common with many charitable organizations, the Kenora Public Library derives revenue from donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we are unable to determine whether any adjustments might be necessary to donation and fundraising revenues, annual surplus (deficit), assets and accumulated surplus for the year ended December 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained management's annual report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Appendix C: Illustrative Independent Auditor's Report (continued from previous page)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kenora, Ontario

DATE

Chartered Professional Accountants

Licensed Public Accountants

Appendix D: Fees and Expenses

Our fees are based on the amount tendered to the City of Kenora.

Our fees are based on our past experience and our knowledge of the Organization. Our fees rely on the following assumptions:

- No significant deficiencies in internal controls which cause procedures to be extended;
- No major unadjusted misstatement(s) or un-reconciled balances;
- Significantly all adjusting entries are completed prior to trial balance and journal entries being provided to the audit team;
- All management and required staff are available as needed;
- Information and working papers required, as outlined in our letter of fiscal year-end requirements, are provided in the mutually agreed form and timing; and
- There are no changes to the agreed upon engagement timetable and reporting requirements.

We will ask that your personnel, to the extent possible, prepare various schedules and analysis, and make various invoices and other documents available to our team. This assistance will facilitate the progress of our work and minimize the cost of our service to you.

If any significant issues arise during the course of our audit work which indicate a possibility of increased procedures or a change in the audit timetable, these will be discussed with management by the practitioner leading your engagement so a mutually agreeable solution can be reached. In accordance with our standard terms and conditions, included as Appendix E, if significant changes to the arrangements set forth in this engagement letter are required, any change in scope of the engagement will need to be agreed in writing, in a "Change Order" agreement.

Appendix E: Standard Terms and Conditions

The following standard terms and conditions and the engagement letter to which they are attached form one agreement and set out the terms and conditions upon which MNP LLP ("MNP") will provide services to you (the "Organization").

1. **Timely Performance** - MNP will use all reasonable efforts to complete, within any agreed-upon time frame, the performance of the services described in the engagement letter to which these terms and conditions are attached. However, MNP shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Organization of its obligations as set out in the engagement letter.
2. **Right to Terminate Services** - The Organization may terminate the engagement upon 30 days written notice. If this occurs, the Organization shall pay for time and expenses incurred by MNP up to the termination date, together with reasonable time and expenses incurred to bring the services to a close in a prompt and orderly manner. Should the Organization not fulfil its obligations as set out herein and in the engagement letter, and in the event that the Organization fails to remedy such default within 30 days following receipt of notice from MNP to that effect, MNP may, upon written notification and without prejudice to its other rights and resources, terminate provision of our services as described in the engagement letter. In such case, MNP shall not be responsible for any loss, costs, expenses, or damages resulting from such termination.
3. **Change Order** - If, subsequent to the date of this engagement letter, the Organization requires significant changes to the arrangements set forth in this engagement letter, the Organization will be required to agree to the change in scope of the engagement in writing, in a "Change Order" agreement. The "Change Order" agreement will set forth the revised arrangements and scope of services to be performed and any related additional fees associated.
4. **Fees** - Any fee estimates by MNP take into account the agreed-upon level of preparation and assistance from the Organization's personnel. MNP undertakes to advise the Organization's management on a timely basis should this preparation and assistance not be provided, or should any other circumstances arise which cause actual time to exceed the estimate.
5. **Administrative Expenses** - Administrative expenses include costs such as long distance telephone and telecommunication charges, photocopying, delivery, postage, and clerical assistance. These expenses are based on a percentage of our fees for professional services (5%). Where applicable, federal, provincial, or other goods and services or sales taxes have been paid on these expenses. Other major costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
6. **Billing** - Bills will be rendered as indicated in the letter above. Accounts are due and payable upon receipt. Interest may be charged on the balance of any accounts remaining unpaid for more than 30 days, at a rate of 1.5% per month (19.56% per annum).
7. **Taxes** - All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. The Organization shall assume and pay any such taxes or duties, without deduction from the fees and charges hereunder.
8. **Governing Law** - The engagement will be governed and construed in accordance with the laws of the Province of Ontario, and shall be deemed in all respects to be an Ontario contract. The Organization and MNP submit to the courts of that jurisdiction with respect to all matters arising under or by virtue of this Agreement.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

9. **Working Papers** - MNP owns all working papers and files, other materials, reports and work created, developed or performed during the course of the engagement, including intellectual property used in the preparation thereof. We will provide management with a copy of all practitioner-prepared working papers necessary for the Organization's accounting records. MNP may develop software, including spreadsheets, documents, databases, and other electronic tools, to assist us with our assignment. As these tools and working papers were developed specifically for our purposes and without consideration of any purpose for which the Organization might use them, any such tools which may be provided to the Organization, will be made available on an "as is" basis only, at our discretion, and should not be distributed to or shared with any third party. Except as indicated in the Code of Professional Conduct or by any legal proceeding, we have no responsibility to share our working papers with you or with any other parties.
10. **Out-sourcing** - MNP may out-source to third party service providers certain data-entry functions. To protect our clients, we have imposed detailed contractual obligations on these service providers regarding the safeguarding, confidentiality and security of your personal information. Nevertheless, our service provider may be required by the applicable laws of a foreign country to disclose personal information in its custody to that country's government or agencies pursuant to a lawful court order made in that country.
11. **Nature of the Limited Liability Partnership (LLP)** - MNP is a registered limited liability partnership, as permitted by legislation enacted in our governing jurisdiction of the Province of Alberta. This legislation provides that a partner of an LLP is not personally liable for any of the debts, obligations, or liabilities of the LLP or any of the other partners which may arise as a result of any negligent act or omission of another partner of the LLP, or by any employee of the partnership, unless such act or omission is committed by the partner him or herself or by a person under the partner's direct supervision and control. All partners of an LLP remain personally liable for any acts or omissions arising as a result of their own negligence, and for the acts or omissions of those directly under their supervision or control, and shall continue to be subject to unlimited personal liability for all of the other liabilities of the partnership. The legislation does not reduce or limit in any way the liability of the partnership itself, and all of the partnership's assets and insurance coverage remain at risk.
12. **Release and Limitation of Liability** - The Organization and MNP agree to the following with respect to MNP's liability to the Organization:
 - a. In any action, claim, loss or damage arising out of the engagement, the Organization agrees that MNP's liability will be several and not joint and the Organization may only claim payment from MNP of MNP's proportionate share of the total liability based on the degree of fault of MNP as finally determined by a court of competent jurisdiction.
 - b. Other than for matters finally determined to have resulted from the gross negligence, fraud or willful misconduct of MNP, whether the claim be in tort, contract, or otherwise:
 - i. MNP shall not be liable to the Organization and the Organization releases MNP for all claims, damages, costs, charges and expenses (including legal fees and disbursements) incurred or suffered by the Organization related to, arising out of, or in any way associated with the engagement to the extent that the aggregate of such amounts is in excess of the total professional fees paid by the Organization to MNP in connection with this engagement during the 12 month period commencing from the date of the engagement letter to which these terms and conditions are attached; and,
 - ii. MNP shall not be liable to the Organization for any consequential, indirect, lost profit or similar damages, or failure to realize expected savings, relating to MNP's services provided under the engagement letter to which these terms and conditions are attached.

Appendix E: Standard Terms and Conditions *(continued from previous page)*

13. **Indemnity** - The Organization agrees to jointly and severally indemnify and hold harmless MNP against:
- a. All claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, other than those finally determined by a court of competent jurisdiction to have resulted from MNP's gross negligence, fraud or willful misconduct; and,
 - b. Notwithstanding "a.," all claims, damages, costs, charges and expenses (including legal fees and disbursements) which are related to, arise out of, or are in any way associated with the engagement, whether the claims are civil, penal, regulatory, or administrative in nature, that arise from or are based on any deliberate misstatement or omission in any material, information or representation supplied or approved by any officer or member of the Board of Directors of the Organization.

For the purposes of paragraph 12. and 13., "MNP" shall mean MNP LLP and its directors, officers, partners, professional corporations, employees, subsidiaries and affiliates and to the extent providing services under the engagement letter to which these terms are attached, MNP LLP, its member firms, and all of their partners, principals, members, owners, directors, staff and agents; and in all cases any successor or assignee.

14. **Survival of Terms** - The Organization and MNP agree that clauses 12. and 13. will survive termination of the engagement.
15. **Electronic Communications** - Unless the Organization prefers we use a particular manner of communication and specifies as much in writing, MNP will use whatever form of communication it deems most efficient in the circumstances. In many instances, this will involve the use of internet e-mail. With respect to internet e-mail, MNP and the Organization both acknowledge that neither party has control over the performance, reliability, availability, or security of internet e-mail. Additionally, MNP staff may be required or requested to work from your offices during which visits access to and use of and reliance upon your electronic environment (including but not limited to, your network, Internet, and extranet resources) is necessitated. The Organization accepts that MNP shall not be liable for any loss, damage, expense, harm or inconvenience resulting from any loss, delay, interception, corruption, security breach, delivery failure, incompatibility, incompleteness or alteration of any document or transmission arising from the use of e-mail or the transmission of any document outside of MNP's electronic environment.
16. **Confirmation.com** - By signing this engagement letter, you agree to the use by MNP of Capital Confirmation Inc. ("CCI") as a third party service provider and the use of CCI's platform (the "Platform") to prepare, request and receive confirmations required to perform the engagement. You acknowledge and agree that data being uploaded/downloaded via the Platform may reside on servers located in the United States and that CCI could be required to disclose data, including personal information, in its custody to the United States government, government agencies, courts or law enforcement or regulatory agencies pursuant to the laws of the United States. MNP shall not be liable for any loss or damage arising from your or MNP's use of CCI as a service provider or use of the Platform, including any losses relating to CCI's collection, use, disclosure or loss of your data or personal information. You agree to pay all fees for requesting and receiving confirmations. For more information, you can review the third party service provider's Terms and Conditions and Privacy Policy on CCI's website at: <https://www.confirmation.com/>