



Port of Johnstown

2020 Audit Findings

Report to the Port Management Committee

December 31, 2020

Ian Murphy, CPA, CA
T: 613.209.8252
E: ian.murphy@mnp.ca



KINCENTRIC
Best Employer
CANADA 2019



Wherever business takes you

[MNP.ca](https://mnp.ca)

OVERVIEW

We are pleased to submit to you this Audit Findings Report (the "Report") for discussion of our audit of the financial statements of Port of Johnstown (the "Organization") as at December 31, 2020 and for the year then ended. In this report we cover those significant matters which, in our opinion, you should be aware of as members of the Port Management Committee.

As auditors, we report to the Members of Council, Inhabitants and Ratepayers of the Township of Edwardsburgh/Cardinal on the results of our examination of the financial statements of the Organization as at and for the year ended December 31, 2020. The purpose of this Report is to assist you, as members of the Port Management Committee, in your review of the results of our audit.

This Report is intended solely for the information and use of the Port Management Committee and management and should not be distributed to or used by any other parties than these specified parties.

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

ENGAGEMENT STATUS

We have completed our audit of the financial statements of the Organization which has been carried out in accordance with Canadian generally accepted auditing standards and are prepared to sign our Independent Auditor's Report subsequent to completion of the following procedures:

- Receipt of the signed management representation letter;
- Discussion of subsequent events with the Port Management Committee;
- the Port Management Committee review and approval of the financial statements.

No significant limitations were placed on the scope or timing of our audit.

INDEPENDENT AUDITOR'S REPORT


We expect to have the above procedures completed and to release our Independent Auditor's Report on May 25, 2021.









Unless unforeseen complications arise, our Independent Auditor's Report will provide an unmodified opinion to the Members of Council, Inhabitants and Ratepayers of the Township of Edwardsburgh/Cardinal of the Organization. A draft copy of our proposed Independent Auditor's Report has been included with this report. The matters disclosed in the Independent Auditor's Report are discussed further in the relevant sections of the Report.

AUDIT REPORTING MATTERS

Our audit was carried out in accordance with Canadian generally accepted auditing standards, and included a review of all significant accounting and management reporting systems, with each material year end balance, key transaction and other events considered significant to the financial statements considered separately.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

AREA	COMMENTS
 CHANGES FROM AUDIT SERVICE PLAN	There were no deviations from the Audit Service Plan previously presented to you except for the increase in materiality from the previously communicated preliminary amount of \$200,000 to final materiality of \$350,000. The materiality calculation base has not changed; however, when presenting the audit service plan, the preliminary figures provided as of October 31, 2020 did not support the higher materiality amount.

AREA	COMMENTS
 FINAL MATERIALITY	<p>Final materiality used for our audit was \$350,000 for December 31, 2020, and \$200,000 for December 31, 2019.</p>
 IDENTIFIED OR SUSPECTED FRAUD	<p>While our audit cannot be relied upon to detect all instances of fraud, no incidents of fraud, or suspected fraud, came to our attention in the course of our audit.</p>
 IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS	<p>Nothing has come to our attention that would suggest any non-compliance with laws and regulations that would have a material effect on the financial statements.</p>
 MATTERS ARISING IN CONNECTION WITH RELATED PARTIES	<p>No significant matters arose during the course of our audit in connection with related parties of the Organization.</p>
 AUDITOR'S VIEWS OF SIGNIFICANT ACCOUNTING PRACTICES, ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES	<p>The application of International Financial Reporting Standards allows and requires the Organization to make accounting estimates and judgments regarding accounting policies and financial statement disclosures.</p> <p>As auditors, we are uniquely positioned to provide open and objective feedback regarding your Organization's accounting practices.</p> <p>The accounting policies used by the Organization are appropriate and have been consistently applied.</p>
 FINANCIAL STATEMENT DISCLOSURES	<p>The disclosures made in the notes to the financial statements appear clear, neutral and consistent with our understanding of the entity and the amounts presented in the financial statements.</p>
 SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL	<p>While our review of controls was not sufficient to express an opinion as to their effectiveness or efficiency we have not detected any significant deficiencies in internal controls except for some major payable accruals not being recorded by management in the year as the invoices were received after year end. Please refer to adjusting journal entry # 3 in the attached summary of differences.</p>
 MATTERS ARISING FROM DISCUSSIONS WITH MANAGEMENT	<p>There were no significant matters discussed, or subject to correspondence, with management that in our judgment need be brought to your attention.</p>

SIGNIFICANT RISK AREAS AND RESPONSES

SIGNIFICANT RISK AREA	RESPONSE AND CONCLUSION
Management override of controls There is a presumed risk of management override of controls in all entities	MNP tested adjusting journal entries posted by management throughout the year based on criteria set by the audit engagement team.
Revenues Revenue could be recorded in the wrong period	MNP tested cut-off to gain a high degree of comfort over revenues to ensure they are being recorded in the proper period as well as tested adjusting journal entries posted by management with any unusual account combinations affecting revenue.

OTHER AREAS

AREA	COMMENTS
AUDITOR INDEPENDENCE	We confirm to the Port Management Committee that we are independent of the Organization. Our letter to the Port Management Committee discussing our independence is included as part of the additional materials attached to this report.
MANAGEMENT REPRESENTATIONS	We have requested certain written representations from management, which represent a confirmation of certain oral representations given to us during the course of our audit. This letter, provided by management, has been included as additional material to this report.
SUMMARY OF SIGNIFICANT DIFFERENCES	A few significant differences were proposed to management with respect to the December 31, 2020 financial statements. A summary of significant differences has been included with this report.
OTHER INFORMATION	<p>Pursuant to our responsibilities under Canadian generally accepted auditing standards, we have reviewed other financial and non-financial information included in documents containing the financial statements and our auditor's report thereon. We review these documents for the purpose of ensuring their content does not contradict information derived from our audit procedures.</p> <p>In reviewing the other information, we did not note any material inconsistencies with the financial statements.</p>

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

Sincerely,

A handwritten signature in black ink that reads "MNP LLP". The letters are stylized and connected, with a fluid, cursive-like appearance.

**Chartered Professional Accountants
Licensed Public Accountants**

encls

APPENDIX A - SUMMARY OF SIGNIFICANT DIFFERENCES

Description of Differences	Proposed Adjustments DR (CR)				
	EARNINGS		BALANCE SHEET		
	Identified	Likely Aggregate (Net of Tax)	ASSETS	LIABILITIES	EQUITY
To reverse client's entry. To balance deferred capital contributions to what was actually received in the year from the government (goes with AJE2)	\$ -	\$ -	\$ (1,221,747)	\$ 1,221,747	\$ -
To reallocate government grant netted by client against assets under construction to deferred contributions	\$ -	\$ -	\$ 1,419,622	\$ (1,419,622)	\$ -
To accrue for FWSI01 December invoice and holdbacks	\$ -	\$ -	\$ 3,057,217	\$ (3,057,217)	\$ -
To accrue for invoice relating to 2020 and its related receivable	\$ -	\$ -	\$ 64,446	\$ (64,446)	\$ -
Total	\$ -	\$ -	\$ 3,319,538	\$ (3,319,538)	\$ -
Differences corrected by management	\$ -	\$ -	\$ 3,319,538	\$ (3,319,538)	\$ -
Total differences net of corrections	\$ -	\$ -	\$ -	\$ -	\$ -
Uncorrected opening differences	\$ -	\$ -	\$ -	\$ -	\$ -
Current period differences	\$ -	\$ -	\$ -	\$ -	\$ -

APPENDIX A - SUMMARY OF SIGNIFICANT DIFFERENCES

Description of Differences	Proposed Adjustments DR (CR)				
	EARNINGS		BALANCE SHEET		
	Identified	Likely Aggregate (Net of Tax)	ASSETS	LIABILITIES	EQUITY
Final overall materiality	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Excess (shortfall)	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000

MNP LLP – Wherever Business Takes You

Assurance › Consulting › Tax

About MNP LLP

MNP is a leading national accounting, tax and business consulting firm in Canada. We proudly serve and respond to the needs of our clients in the public, private and not-for-profit sectors. Through partner-led engagements, we provide a collaborative, cost-effective approach to doing business and personalized strategies to help organizations succeed across the country and around the world.



Port of Johnstown

Year End: December 31, 2020

Adjusting Journal Entries

Date: 01/01/2020 To 31/12/2020

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	31/12/2020	ASSETS UNDER CONSTRUCTION	0330-0231	P. 3			1,221,746.75		
1	31/12/2020	DEFERRED CAPITAL CONTRIBUTIONS	0510-1101	P. 3		1,221,746.75			
To reverse client's entry. To balance deferred capital contributions to what was actually received in the year from the government (goes with AJE2)									
2	31/12/2020	ASSETS UNDER CONSTRUCTION	0330-0231	P. 3		1,419,621.99			
2	31/12/2020	DEFERRED CAPITAL CONTRIBUTIONS	0510-1101	P. 3			1,419,621.99		
To reallocate government grant netted by client against assets under construction to deferred contributions									
3	31/12/2020	ACCOUNTS RECEIVABLE - HST	0120-0020	P. 2		318,445.19			
3	31/12/2020	ASSETS UNDER CONSTRUCTION	0330-0231	P. 2		3,057,216.77			
3	31/12/2020	ACCRUED CHARGES	0510-0500	P. 2			3,375,661.96		
To accrue for FWSI01 December invoice and holdbacks									
4	31/12/2020	ACCRUED REVENUE GENERAL	0120-0700	BB. 5		64,446.45			
4	31/12/2020	ACCRUED CHARGES	0510-0500	BB. 5			64,446.45		
To accrue for invoice relating to 2020 and its related receivable									
						6,081,477.15	6,081,477.15		
Net Income (Loss)			3,604,528.79						

28/04/2021
8:04 AM

Preparer	Detailed	Supervisory
JT 29/01/2021	STOK 05/02/2021	
Peer	Tax	2nd supervisor

TB1