

December 18, 2024

The Corporation of the Town of Deep River  
100 Deep River Road  
P.O. Box 400  
Deep River Ontario K0J 1P0

Attention: Mr. Sean Patterson

Dear Mr. Patterson:

Re: December 31, 2023 year end

During the course of our audit of The Corporation of the Town of Deep River for the year ended December 31, 2023, we identified matters that may be of interest to management. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may be of interest to management. Accordingly, an audit would not usually identify all such matters.

Many of the issue raised below are due to a complete turnover of staff in the Finance department as of 2024. In addition, the Town also went through a software implementation that extended over a 12 month period.

**Reserve fund cash**

**Transfer of cash between main account and reserve and other bank accounts**

At the end of the year, the following transfers were outstanding between the general fund bank account and the following bank accounts:

1. Gas tax rebate fund - \$178,685.70 (transferred January 2024) plus additional \$68,366.42
2. Cemetary bank - (\$5,981.40)

**Implications**

Earnings related to specific funds may be recorded into the wrong account due to the deferred timing of the transfers.

**Recommendations**

We recommend that you make the appropriate cash or investment transfers. This will ensure that investment earnings accrue to the respective funds.

If sufficient cash funds are not available, or if reserve funds are accessed for temporary loans, the interfund borrowings should be approved by council and documented by a note payable with a reasonable interest rate.

**Taxation supplemental and write-off revenues**

**Reconciliation of supplemental and write-off taxation revenues**

We noted a number of instances where supplemental taxation revenue and write-offs of taxation were not processed in the applicable year or were not fully reconciled to the general ledger balances.

Implications

This can result in misleading internal reports and budget reports. This can also result in improper payments to the county and school boards.

Recommendations

We recommend that supplemental taxation and write-offs are reconciled to MPAC reports to ensure proper allocations and records. Adjustments to supplementaries and write-offs of PILT revenues can be reconciled based on actual revenues.

**Bank Reconciliations**

**Delay in reconciling of general bank account**

The main operating bank account reconciliations for all months in 2023 were prepared after the end of the year rather than in the immediate following month.

Implications

A number of bank deposits throughout the year were not accounted for in Town revenue accounts and the treasurer was not able to match these deposits to source documents to determine the source of these funds. As such, these unidentified deposits were posted to miscellaneous revenues each month to reconcile the bank. The total of such deposits included in Corp -Admin: Miscellaneous revenues for the year was approx \$150,000.

Recommendations

It is our recommendation that the bank is balanced monthly and ledger reports are monitored frequently to ensure proper reporting.

**Other revenue reporting**

**Evalon system reconciliation**

The Evalon system cannot provide reports to agree to bank deposits.

Implications

There is no way to ensure the proper reporting of these revenues by section or track deposits to the bank.

Recommendations

We recommend a formal internal process to properly track these revenues and rates within Evalon and create reconciliations between Evalon reporting and the general ledger.

**Expert required**

**Asset retirement obligation**

Insufficient evidence was provided to support the valuation of this estimate for audit purposes

Implications

Our audit opinion was qualified as a result.

Recommendations

Given the material nature of this estimate our recommendation is to hire an expert to value the liability.

**Conclusion**

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

We trust you will implement our recommendations; however, should you require further clarification or information, please contact the undersigned.

Yours truly,

**BAKER TILLY REO LLP**

Chartered Professional Accountant

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Partner  
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