



# Corporation of the Municipality of Temagami

**Financial Statement Review and Year-End Audit Report**

**May 13, 2019**

# Auditors' Report

## INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of  
The Corporation of the Municipality of Temagami

### Opinion

We have audited the consolidated financial statements of The Corporation of the Municipality of Temagami (the "Municipality"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Municipality as at December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 opinion.

### Responsibility 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 Municipality'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 Municipality or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Municipality'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 the 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 risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Municipality's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# Auditors' Report

- 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 the events or conditions that may cast significant doubt on the Municipality's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Municipality's 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

May 13, 2019

- New auditors report requirements in the current year. Additional information provided on auditor and management responsibilities
- Unqualified or clean audit opinion
- Highest level of financial assurance available under the Canadian Auditing Standards
- Materiality for the engagement was set at \$191,000 with a posting threshold of \$9,000
- Statements are in draft pending Council approval

# Statement of Financial Position

## THE CORPORATION OF THE MUNICIPALITY OF TEMAGAMI

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Financial assets</b>		
Cash	\$ 3,200,997	\$ 2,861,060
Taxes receivable	803,989	806,236
Accounts receivable (note 3)	353,331	467,185
	<u>4,358,317</u>	<u>4,134,481</u>
<b>Financial liabilities</b>		
Accounts payable and accrued liabilities (note 4)	880,608	676,047
Deferred revenue	38,355	15,500
Long-term debt (note 5)	640,776	758,295
Landfill closure liabilities (note 6)	114,700	112,900
	<u>1,674,439</u>	<u>1,562,742</u>
<b>Net financial assets</b>	<u>2,683,878</u>	<u>2,571,739</u>
<b>Non-financial assets</b>		
Tangible capital assets (note 7)	15,058,005	15,140,290
	<u>15,058,005</u>	<u>15,140,290</u>
<b>Accumulated surplus (note 8)</b>	<u>\$ 17,741,883</u>	<u>\$ 17,712,029</u>

## Highlights

- Cash increase as a result of the timing of payments (note an increase in trade accounts payable as of December 31, 2018)
- Overall taxes receivable balance is consistent with prior year with an increased amount of taxes included within current taxes (improved from the prior year)
- Account receivable decrease given there was \$270K outstanding on the grants from Fednor and NOHFC for the waterfront (docks) at the end of 2017 (small grant receivables outstanding at the end of 2018)
- Accounts payable increase given the timing of payments to suppliers when compared to 2017
- Deferred revenue relates to the Main Street Revitalization funding not spent at December 31, 2018
- No new long-term debt within the 2018 year end (capital purchases funded by the discretionary operating reserve in 2018)

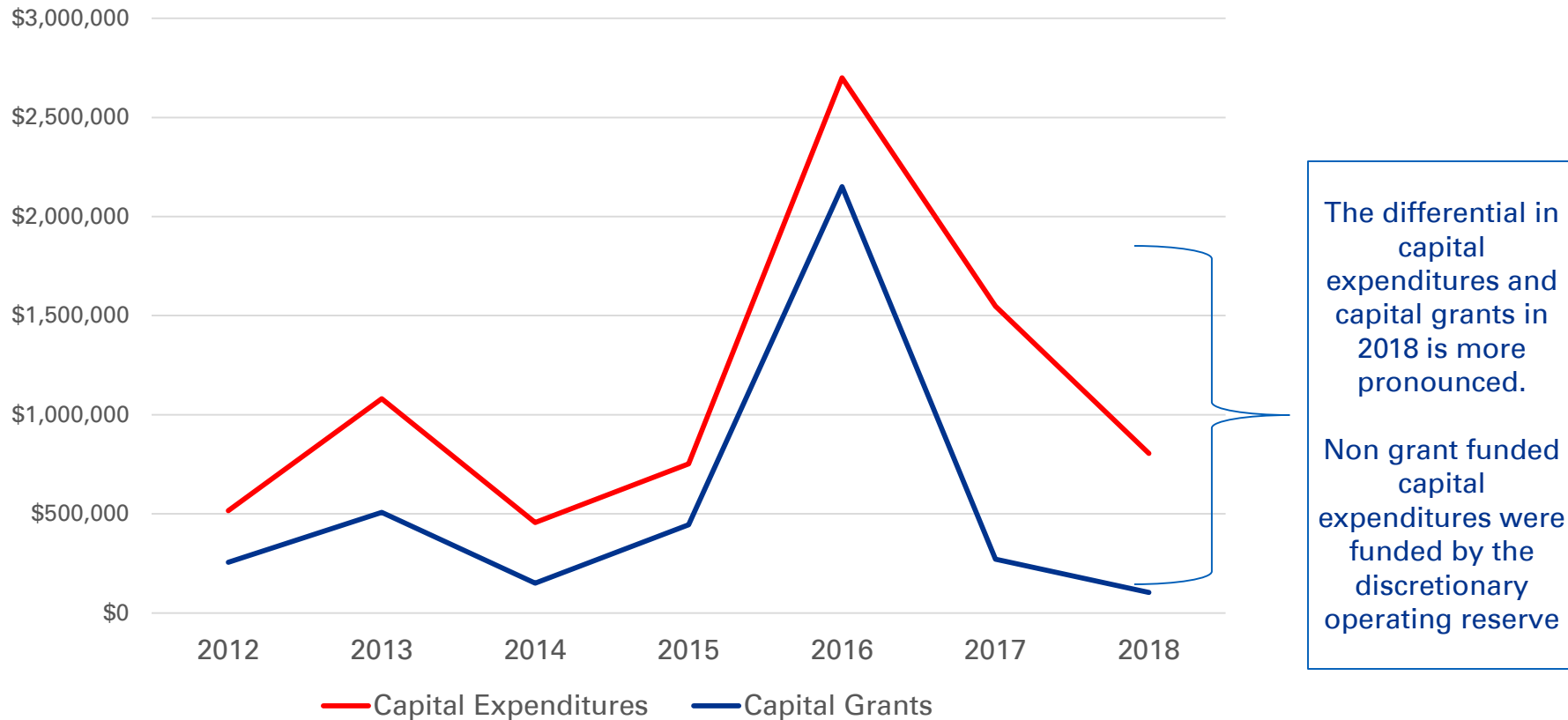
# Composition of Taxes Receivable

	2018	2018 %	2017 %
2018 taxation year	\$304,895	36.7%	29.1%
2017 taxation year	\$107,650	13.0%	15.9%
2016 and prior taxation years	\$273,826	33.0%	36.8%
Interest and penalties	\$143,630	17.3%	18.3%
<b>Total</b>	<b>\$830,001</b>		

# Significant Tangible Capital Asset Additions

• Lake Temagami Road Improvements	\$120,000
• Arena Upgrades	\$348,000
• Computers / Website	\$52,000
• Clean Water / Wastewater Fund (Water Treatment Plant Upgrades / Lagoon)	\$219,000
• Other miscellaneous small additions (in various categories)	\$66,100

# Capital Additions and Grants



# Statement of Operations

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018	Actual 2018	Actual 2017
	(note 11)		
Revenues:			
Operating revenues:			
Municipal taxation	\$ 3,810,131	\$ 3,818,285	\$ 3,750,244
User charges	733,673	729,222	726,019
Provincial grants	1,580,155	1,597,107	1,556,425
Federal grants	-	138,678	4,650
Investment income	20,000	39,041	17,322
Penalties and interest on taxes	90,000	80,934	90,612
Provincial Offences Act	13,000	12,858	13,556
Other	78,577	109,277	182,981
	6,325,536	6,525,402	6,341,809
Capital revenues:			
Provincial grants	295,127	50,000	50,000
Federal grants	190,049	53,510	221,086
	485,176	103,510	271,086
Total revenues	6,810,712	6,628,912	6,612,895
Expenses:			
General government	1,115,236	1,095,593	1,274,778
Protection to persons and property	750,835	760,410	764,990
Transportation services	888,497	1,142,454	1,004,456
Environmental services	765,238	1,189,405	1,089,457
Health services	683,618	693,712	616,627
Social and family services	1,121,293	1,121,292	1,105,388
Recreational and cultural services	357,274	395,836	367,750
Planning and development	193,701	200,356	169,133
Total expenses	5,875,692	6,599,058	6,392,579
Annual surplus	935,020	29,854	220,316
Accumulated surplus, beginning of year	17,712,029	17,712,029	17,491,713
Accumulated surplus, end of year	\$ 18,647,049	\$ 17,741,883	\$ 17,712,029

## Highlights

- Taxation increase of \$68K
  - No significant changes to note in the year
- User charges – consistent with the prior year
- Province of Ontario
  - OMPF \$871K
  - DSSAB Funding \$644K
  - Clean Water Wastewater Fund \$38K
  - Other small grants totaling \$44,000
- Federal Grants
  - Fednor \$22K
  - Clean Water Wastewater Fund \$76K
  - Other small grants totaling \$40,000
- Capital revenues:
  - Federal Gas Tax - \$53K
  - Provincial OCIF Funding - \$50K
- Other revenue
  - Decrease in other revenue mainly related to a decrease in recycling revenue

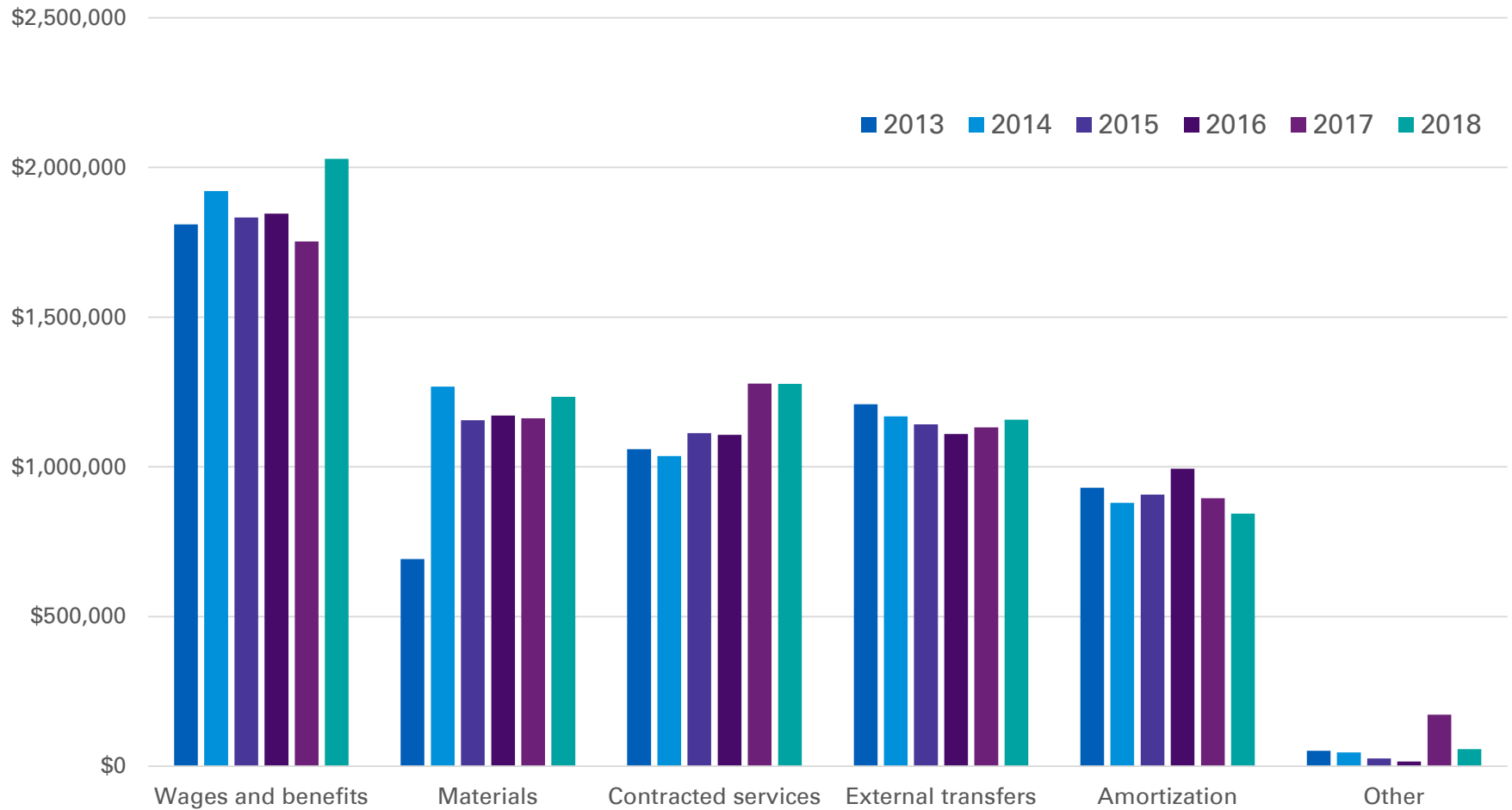


## Operating Expenses

	Reported Expenses			Budgeted Expenses	Variance
	Reported	Amortization	Adjusted		
General	\$1,095,593	(\$122,191)	\$973,402	\$1,115,235	(\$141,833)
Protection	\$760,410	(\$40,998)	\$719,412	\$750,835	(\$31,423)
Transportation	\$1,142,454	(\$209,000)	\$933,454	\$888,497	\$44,957
Environmental	\$1,189,405	(\$366,069)	\$823,336	\$765,238	\$58,098
Health	\$693,712	(\$3,872)	\$689,840	\$683,618	\$6,222
Social & Family	\$1,121,292	-	\$1,121,292	\$1,121,292	-
Recreation & Culture	\$395,836	(\$99,538)	\$296,298	\$357,274	(\$60,976)
Planning and Development	\$200,356	(\$2,494)	\$197,862	\$193,701	\$4,161
<b>Total</b>	<b>\$6,599,058</b>	<b>(\$844,162)</b>	<b>\$5,754,896</b>	<b>\$5,875,692</b>	

- The increase in transportation expenses relates to an increase in materials and contracted services within the 2018 year end.
- The increase in environmental expenses relates to an increase in contracted services within 2018 when compared to budget
- Remaining expenses comparable or under budget compared to the prior year

# Operating Expenses



# Matters for Communication

## **Audit is complete pending:**

- Council approval of financial statements
- Receipt of signed representation letter

No significant difficulties encountered during the course of our audit procedures

- No changes to our planned audit approach
- No disagreements or difficulties with management

No unadjusted audit differences above our posting threshold

No significant internal control weaknesses noted



# Thank you



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